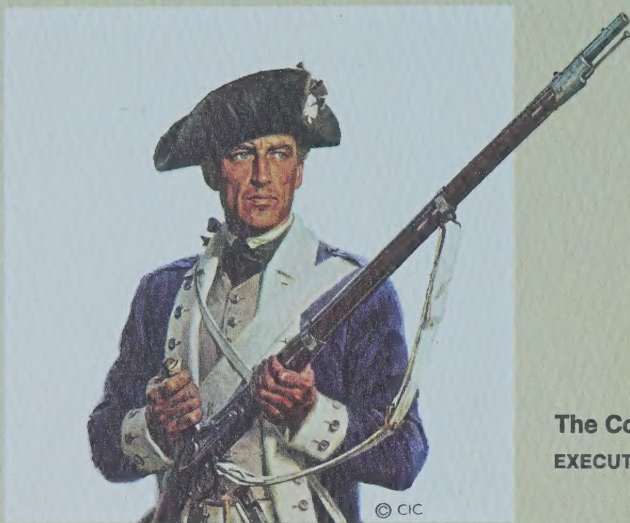
THE CONTINENTAL CORPORATION / ANNUAL REPORT / 1973



The Continental Insurance Companies
EXECUTIVE OFFICES: **80 Maiden Lane, New York, N.Y.**

American Title Insurance Company
EXECUTIVE OFFICES: **150 South East 3rd Ave., Miami, Fla.**

Capital Financial Services, Inc.
EXECUTIVE OFFICES: **100 East Broad St., Columbus, Ohio**

The Diners' Club, Inc.
EXECUTIVE OFFICES: **10 Columbus Circle, New York, N.Y.**

The INSCO Systems Corporation
EXECUTIVE OFFICES: **3501 State Highway No. 66, Neptune, N. J.**

Marine Office—Appleton & Cox Corporation
EXECUTIVE OFFICES: **80 Maiden Lane, New York, N.Y.**

National-Ben Franklin Life Insurance Corporation
EXECUTIVE OFFICES: **360 West Jackson Blvd., Chicago, Ill.**

The National Life Assurance Company of Canada
EXECUTIVE OFFICES: **350 Bloor St. East, Toronto, Ont., Canada**

Underwriters Adjusting Company
EXECUTIVE OFFICES: **224 South Wacker Dr., Chicago, Ill.**

CONTENTS

Transfer Agents:

Manufacturers Hanover Trust Company
40 Wall St., New York, N.Y. 10015

The Northern Trust Company
50 La Salle St., Chicago, Ill. 60690

United California Bank
8707 Wilshire Blvd., Los Angeles, Calif. 90030

Registrars:

First National City Bank
55 Wall St., New York, N.Y. 10015

The First National Bank of Chicago
One First National Plaza, Chicago, Ill. 60670

Wells Fargo Bank
415 West 5th St., Los Angeles, Calif. 90013

Stock Exchange Listings:

New York, Midwest and Pacific Coast Exchanges

General Offices:

80 Maiden Lane, New York, N.Y. 10038

The annual meeting of shareholders will be held Thursday, April 18, 1974, starting at 10:30 a.m., on the second floor at 80 Maiden Lane, New York, N.Y. We sincerely invite you to attend.

A supplement to this report, incorporating additional information and financial data on The Continental Corporation and its subsidiaries, is available. You may obtain a copy by writing to the Public Relations Department, The Continental Corporation, 80 Maiden Lane, New York, N.Y. 10038

THE CONTINENTAL CORPORATION is the parent company of one of the nation's largest diversified financial organizations. Its most extensive subsidiary operations are The Continental Insurance Companies, the well-known property and casualty insurers, and Diners Club. Other subsidiaries are in related areas of insurance—life, accident and health, title, marine and aviation—reinsurance, foreign insurance, underwriting management for foreign insurers operating in the United States, claims and loss adjustment, business systems, data processing, premium financing, automobile and consumer finance.

During 1973, Fortune listed The Continental Corporation sixth among diversified financial companies on the basis of assets. In the Forbes list of the 500 largest U.S. corporations, Continental was rated 54th in terms of total assets, and also in profits. Forbes computed Continental's annualized growth rate in earnings, over the past five years, at 15.9%, placing it 93rd in all of American industry.

Continental's record of uninterrupted cash dividend payments since 1853 is one of the longest of all U.S. companies.

Highlights

Year ended December 31 1972	1973		
(000 omitted)			
$ 1,580,512	**$ 1,652,014**	+4.5%	**REVENUE**
168,687	**162,506**		**PRE-TAX INCOME** (Excluding Realized Capital Gains)
48,564	**31,276**		Income Taxes
120,123	**131,230**	+9.2%	**NET INCOME**
6,532	**6,506**		**NET REALIZED CAPITAL GAINS** (After Taxes)
4,432,316	**4,473,628**		**CONSOLIDATED ASSETS**
1,482,909	**1,403,811**		**CAPITAL AND SURPLUS**
			PER SHARE:
4.72	**5.22**	+10.6%	Net Income (Excluding Realized Capital Gains)
.28	**.27**		Net Realized Capital Gains
55.28	**51.90**		Capital and Surplus (1)
			ASSUMING FULL CONVERSION OF PREFERRED STOCK
4.36	**4.84**	+11.0%	Net Income (Excluding Realized Capital Gains)
.24	**.24**		Net Realized Capital Gains
53.82	**51.37**		Capital and Surplus

(1) After deducting $50 a share for Series A and Series B preferred stock and an allowance per share for deferred taxes as follows: 1973—$13.03 1972—$16.47.

SEE NOTES TO FINANCIAL STATEMENTS

To Our Shareholders:

In 1973 The Continental Corporation completed five full years of operation since it was formed by The Continental Insurance Company as a holding company and an instrument of diversification. Our accumulated experience provides perspective on what has been achieved—and what remains to be achieved. This report will attempt to present our 1973 operations in the context of those five years.

This was another record year for Continental, the third in a row. Our net income, over $131 million, was at a new high, more than 9% above 1972. Assuming full conversion of preferred shares into common, these net earnings represent $4.84 per share, an 11% increase over the earnings in the preceding year. Once again, in each quarter of the year, the earnings were greater than in the corresponding quarter of the previous year, thus bringing to thirteen the number of such improved consecutive quarters.

During the year a dividend of $2.50 was paid on each share of preferred stock A and B, and there were two increases in dividends to shareholders of common stock—an increase from 50 cents to 54 cents per share in March and, after the easing of governmental restrictions, a further increase to 60 cents, quarterly, in September.

At year-end, arrangements were completed to enable shareholders to participate in a systematic Dividend Reinvestment Plan commencing in 1974.

The substantial increase in 1973 earnings was due in large measure to a 16.8% improvement in investment income, resulting mainly from a continuing strong cash flow and higher yields on fixed income securities. The property and casualty insurance subsidiaries, which produce over 85% of our revenues, also contributed substantially, finishing the year with an adjusted underwriting profit of $22.5 million. The financial services group generated $35.5 million in income before taxes, including a turnaround at Diners Club which moved it into the profit column, a particularly welcome development.

Continental's cornerstone continues to be the writing of property and casualty insurance. While 1973 underwriting results did not match those of 1972—an exceptional year—our record was satisfactory, comparing favorably with the rest of the industry. Our automobile writings were still marginally profitable at a time when other companies were reporting losses.

The commercial lines of insurance were subjected to intense price competition. However, we resisted the temptation to grow without profit and this decision proved sound, for despite deterioration in the general liability, aviation, fidelity and ocean marine lines—trends we had largely anticipated—we finished solidly in the profit column, while slightly increasing our premium volume.

Our property experience was favorable in spite of severe tornado activity across the country. For the third consecutive year we had no major hurricane losses. This made a good year better, although our writings are broad enough for us to absorb occasionally sharp blows without undue penalty to our earnings. During the year, in line with a procedure initiated in 1972, we added $2 million to our catastrophe reserve. Now totaling $12 million, it will be available for catastrophe losses exceeding $10 million in any calendar year, softening the impact on that year's earnings.

The uncertain economic outlook both here and abroad blurs any 1974 forecast. The energy shortage, accelerated inflation, recessionary pressures, changing regulatory and legislative concepts—all will have a powerful influence on our progress. We be-

lieve, however, that we have never been in a stronger position so far as insurance operations are concerned. Our agency force, though smaller now than five years ago, is much more productive; our underwriting is more flexible and responsive; and we have achieved a great deal of diversification within the various categories of insurance. We can respond quickly when we see an improved profit potential in a particular line, using our existing position as a base for expansion.

On the life insurance side, National Life of Canada showed impressive gains with individual sales up in both the United States and Canada. Franklin Life of Springfield, Illinois, in which we have a 27.2% equity interest, passed the $9 billion mark in life insurance in force. National-Ben Franklin Life, our mass marketing subsidiary, completed its most profitable year since it was formed in 1965.

Compared with our U.S. activities, Continental's international operations are modest, but they are profitable and growing at a steady rate. Expanding those interests in 1973, we established the London Security Reinsurance Company in England, acquired a 10% interest in a major French insurer, La Préservatrice, and agreed to purchase the business of two insurance firms in the Republic of Panama. A domestic acquisition—Puerto Rican-American Insurance Company (PRAICO) in San Juan—is now slated to assume a coordinating role in all of our Caribbean operations.

Turning to the financial services group, each of our subsidiaries operated profitably. National Reinsurance Corporation and American Title Insurance Company reached new highs in revenues and profits. In American Title's case, this was achieved despite the slowing of new construction in this country. Diners Club, in an impressive turnaround,

Nathan H. Wentworth, Chairman of the Board and Chief Executive Officer

contributed $2.5 million to the Corporation's net income before taxes. It is now operating profitably and conservatively, free of significant litigation and of deficit collateral activities.

Last year, the consumer credit business was impeded by the increased cost of borrowed funds. This lowered earnings at both AFCO Credit Corporation and Capital Financial Services. In November, we announced our intention to sell the latter company to the Continental Illinois Corporation for $100 million, payable in Continental Illinois shares. This transaction now awaits favorable governmental action. Capital was purchased in 1969 for $50 million; it has had a fine record, but the support of a major banking organization—such as Continental Illinois can provide—will be helpful if competition is intensified in the consumer loan field. We believe that a holding in the Continental Illinois organization, which will include Capital Financial, would better serve our long range interests.

This is in line with Continental's development as a conservatively managed financial organization dedicated to steady growth in earnings. Whatever new corporate moves are made, they will be with that goal in mind. Growth for the sake of growth is not our way, nor will we endanger future earnings gains for the sake of short range profits. Despite the problems that confronted us following the acquisition of Diners Club—most of which are now behind us—our diversification program has been a sound and rewarding one. We have gained financially and have avoided many of the pitfalls which other companies have encountered.

As indicated in last year's report, and in view of the low market price of Continental Corporation's stock, your directors authorized the purchase of 500,000 shares. This was subsequently increased; a total of 594,500 shares were acquired at an average cost of $40.02 per share, well below book value. 376,888 of these shares were utilized for the purchase of shares of La Préservatrice in France and the Puerto Rican-American Corporation in Puerto Rico. The balance will be retained in the corporate treasury.

At the annual meeting of shareholders in April, Clifford D. Siverd, board chairman and chief executive officer of American Cyanamid, was elected to the board of directors. He succeeds John W. Drye, Jr. who retired from the board after 27 years of service.

In May, Robert A. Baker was elected president and chief executive officer of our Bermuda-based subsidiary, The Security Reinsurance Corporation, Limited. In August, John H. Loynes was appointed vice president and controller of The Continental Corporation, a position he held previously with the Glens Falls Insurance Company and, more recently, with Diners Club. J. Dean Cassidy was appointed in September as vice president and manager in charge of our Canadian operations.

Our fine new ten-story regional headquarters building in Glens Falls was dedicated in May. It houses the Northeastern Department of The Continental Insurance Companies, supervising upstate New York and New England, and facilities servicing other departments and affiliates of the Corporation.

This year, perhaps more than any other, we particularly register the appreciation of management for the substantial contribution of our agents and our staff.

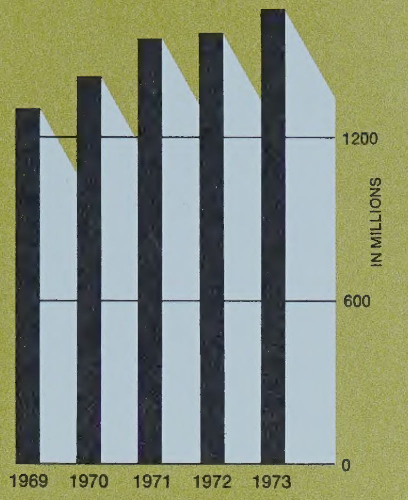
I would welcome any comments or suggestions which you might have with respect to this report.

Yours truly,

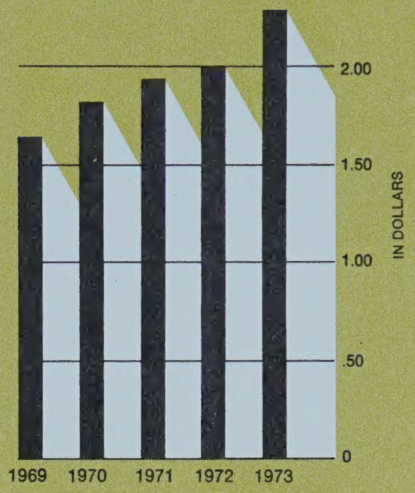
N H Wentworth

Nathan H. Wentworth
Chairman of the Board

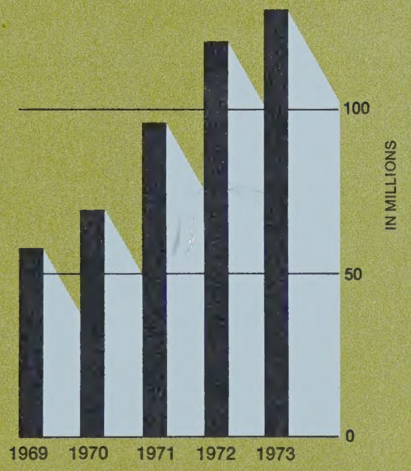
Total Revenues



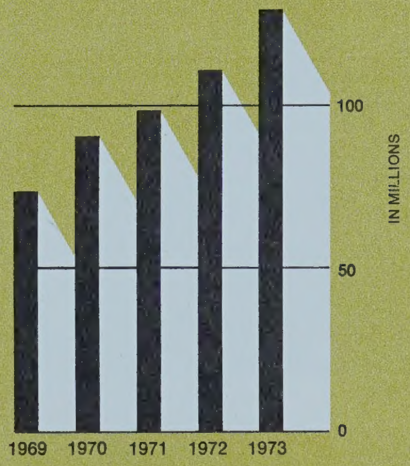
Dividends Paid
PER COMMON SHARE



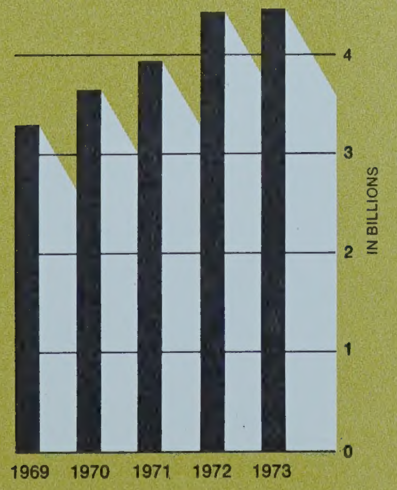
Net Income
AFTER TAXES—EXCLUDING CAPITAL GAINS



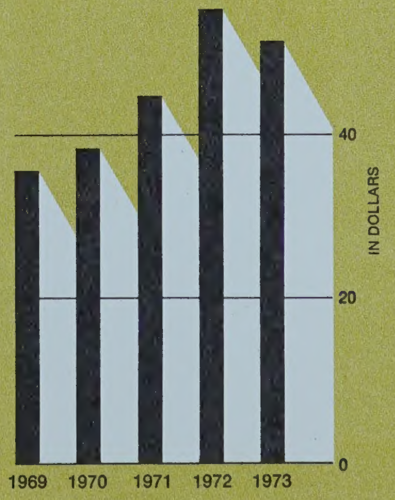
Investment Income
PRE-TAX

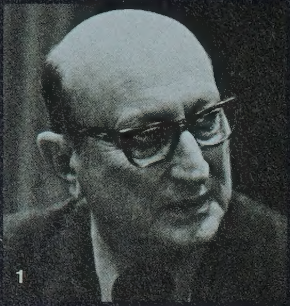


Consolidated Assets



Book Value
PER COMMON SHARE

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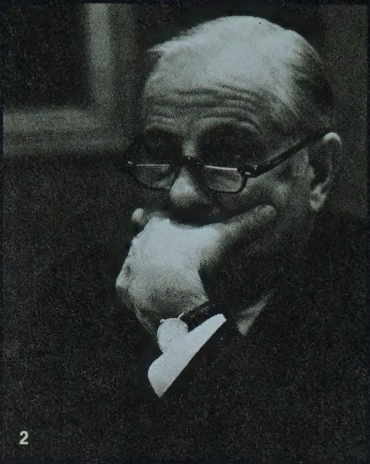
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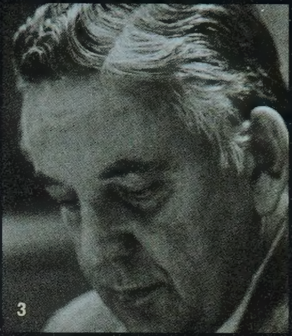
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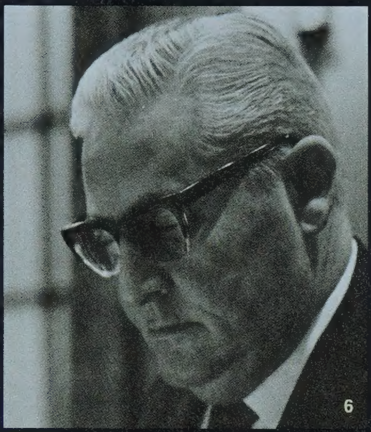
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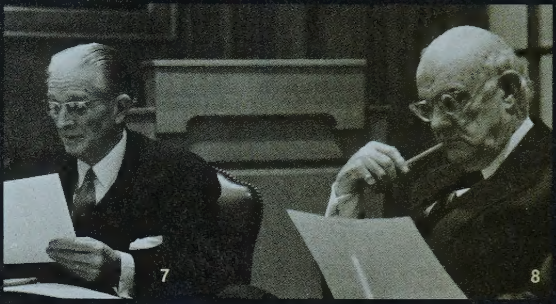
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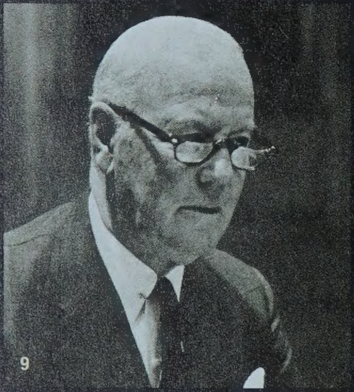
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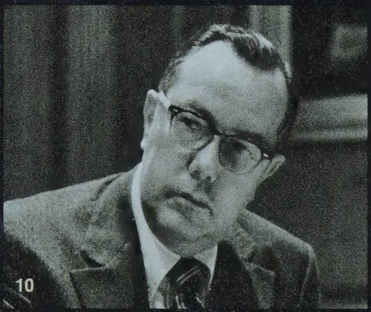
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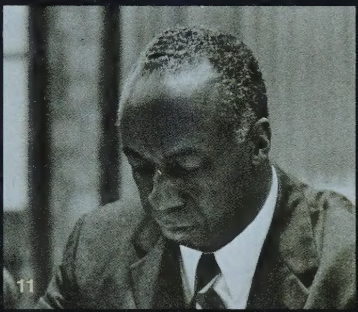
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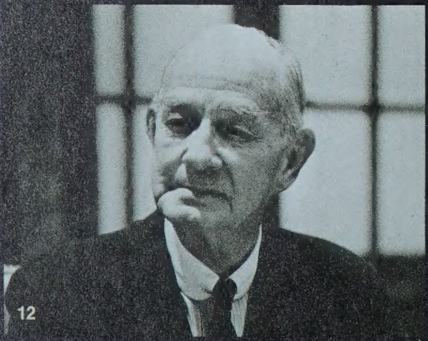
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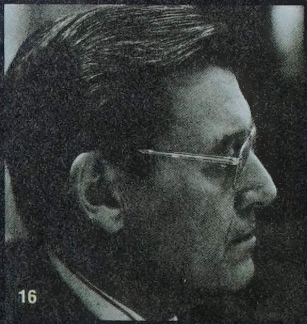
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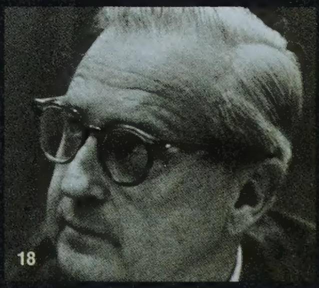
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Directors

The Continental Corporation

13. EDWARD R. EBERLE 1971
Chairman of the Board and
Chief Executive Officer,
Public Service Electric & Gas Company

8. J. VICTOR HERD 1968
Retired Chairman of the Board,
The Continental Corporation

11. JEROME H. HOLLAND 1972
Former United States Ambassador to Sweden

14. DONALD J. HURLEY 1970
Partner, Goodwin, Procter & Hoar

2. HAROLD E. JOHNSON 1972
Executive Vice President,
The Continental Corporation

17. FREDERICK E. JONES 1968
Retired Chairman of the Board,
The Buckeye Union Insurance Company

3. ALLEN T. LAMBERT 1968
Chairman of the Board,
The Toronto-Dominion Bank

16. ROBERT D. LILLEY 1970
President,
American Telephone and Telegraph Company

9. E. HERRICK LOW 1968
Honorary Vice Chairman of the Board,
United California Bank

15. MILTON W. MAYS 1969
President, The Continental Corporation

7. R. E. McNEILL, JR. 1968
Retired

18. PETER S. PAINE 1968
Chairman of the Board,
Great Northern Nekoosa Corporation

12. DALE E. SHARP 1968
Retired Vice Chairman of the Board,
Morgan Guaranty Trust Company of New York

5. CLIFFORD D. SIVERD 1973
Chairman of the Board and
Chief Executive Officer,
American Cyanamid Company

1. JOSEPH WEINTRAUB 1968
Chairman, Atico Financial Corporation
Chairman, Pan American Bancshares, Inc.

4. NATHAN H. WENTWORTH 1968
Chairman of the Board,
The Continental Corporation

6. F. PERRY WILSON 1972
Chairman of the Board and
Chief Executive Officer,
Union Carbide Corporation

10. GEORGE G. ZIPF 1971
President and Chief Executive Officer,
The Babcock & Wilcox Company

(Date denotes year director was elected to board.)

Senior Officers

The Continental Corporation

NATHAN H. WENTWORTH
Chairman of the Board

MILTON W. MAYS
President

HAROLD E. JOHNSON
Executive Vice President

JOHN B. RICKER, JR.
Executive Vice President

GEOFFREY DAVEY
Vice President and Secretary

LEIGHTON M. LOBDELL
Vice President and Treasurer

JOSEPH F. MURPHY
Vice President and General Counsel

LUKE D. LYNCH
Vice President and Counsel

JOHN H. LOYNES
Vice President and Controller

The Continental Insurance Companies

NATHAN H. WENTWORTH
Chairman of the Board

MILTON W. MAYS
President

DAVID GRAY
Executive Vice President

HAROLD E. JOHNSON
Executive Vice President

JOHN B. RICKER, JR.
Executive Vice President

GEOFFREY DAVEY
Vice President and Secretary

LEIGHTON M. LOBDELL
Vice President and Treasurer

JOSEPH F. MURPHY
Vice President and General Counsel

JOHN H. LOYNES
Vice President and Controller

Vice Presidents and Managers

HERBERT E. BROUGHTON (Southeastern)
J. DEAN CASSIDY (Canada)
JOHN W. LENEHAN (Southwestern)
ROBERT H. MORGAN (Northeastern)
JOHN W. O'CONNOR (Pacific)
ROGER S. OLSEN (Western)
HOYT G. VOYLES (Eastern)

Vice Presidents

BRUCE R. ABRAMS
GEORGE L. ARMSTRONG
HAROLD Y. BAIN
NORMAN J. BENNETT
JOHN H. BRETHERICK, JR.
BRENTON S. BROWN
WILLARD A. DAVIS
ROYAL E. GORDON
WOODLEY D. GORDON
G. ROGERS HAINES
DAVID L. HARDIN
DONALD R. HAVERICK
HORTON S. HICKERSON
ROBERT T. ISRAEL
GEORGE T. KEYES
WILLIAM C. KRUMBEIN
H. DONALD LINDELL
ROBERT M. LOWD
R. NEWELL LUSBY
LUKE D. LYNCH
EDWIN MUELLER
ROBERT F. NABERS
JOHN H. NORDLUND
MAX R. NUNNERY
EDWARD A. O'NEILL
JOHN K. RECKTENWALL
BYRON B. REDMAN
ROBERT K. RUESCH
LEON D. SALOTTOLO
GEORGE M. SILVIS M.D.

Review of the Year

PROPERTY AND CASUALTY INSURANCE PROFITABLE

Written premiums totaled $1.3 billion. This was an increase of 2.5% over the previous year, but it was less than the 8% which had been the budget objective. Falling short of this goal was partially involuntary—our market share in some desirable categories was less than we sought—but it also reflected severe competitive conditions, particularly in the commercial lines of insurance. In property and casualty insurance it really is not difficult to increase sales... if the insurer is willing to relax underwriting standards and to accept more underwriting losses in order to increase cash flow and market share. An insurance company, within rather broad limits, can select the level at which it wishes to operate. The company's natural desire for sales increases is tempered by considerations of prudence, profitability and long term aspirations. Several major competitors chose to expand premium volume last year on terms that Continental found unacceptable. By September, Value Line Newsletter noted that many property and liability insurers were experiencing less favorable underwriting and that Continental, by "writing solid business rather than more business" was bucking the downtrend in underwriting results. In this environment, we consider our slight overall increase in volume compensated by the favorable underwriting results we were able to achieve. We enter 1974 with a good book of business, written on a sound basis.

GLOSSARY

WRITTEN PREMIUMS
Net total charged to policyholders.

EARNED PREMIUMS
The portion of written premiums that accrues as policy term progresses.

LOSS AND LOSS EXPENSE RATIO
The cost of claims that have been incurred—and the cost of settling them—as a percentage of earned premium.

UNDERWRITING EXPENSE RATIO
Selling costs, taxes and other underwriting expenses as a percentage of written premiums.

COMBINED RATIO
The total of the preceding two ratios. Often used as a rough guide to profitability.

UNDERWRITING PROFIT
What is left over after deducting incurred losses, loss expenses and underwriting expenses from earned premiums.

ADJUSTED UNDERWRITING PROFIT
Underwriting profit adjusted for the Company's equity in the unearned premium reserve.

CAPITAL AND SURPLUS
The total of paid-in capital funds, unrealized appreciation on investments and undistributed earnings.

Senior officials of The Continental Insurance Companies: President Milton W. Mays (center) with Executive Vice Presidents John B. Ricker, Jr. (left) and David Gray (right).

The commercial multi-peril and comprehensive business policies were among the categories most affected by pricing competition. Despite our relatively conservative stance, we increased our commercial multi-peril writings 7.6% and were able to produce a substantial underwriting profit.

The general liability lines gave us our most severe underwriting problem in 1973. It has been estimated that the insurance industry last year lost more on general liability than it has ever lost on auto liability insurance, even in the worst years. Our combined ratio was 111% on a volume of approximately $95.3 million. Continental's experience is better than most of its major competitors, but the penalizing effect of inflation on outstanding claims and the increasing incidence of professional and products liability claims make this a category to be underwritten with great care.

The personal lines of insurance—principally homeowners and private passenger automobile—represent approximately 36% of our mix of business. Their importance to our overall results is therefore obvious. Our homeowners writings increased only 3.5% in 1973, but the combined loss and expense ratio was a satisfactory 92%. Automobile premium volume—including commercial vehicles as well as private passenger—declined slightly and produced a combined ratio of 99.9%. Substantial rate reductions mandated by the new "no-fault" automobile laws in various states contributed to the decline.

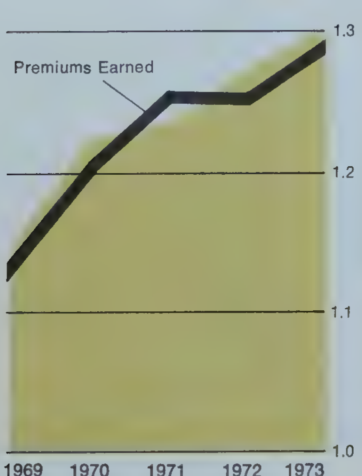
Productivity Gains

Underwriting results are not determined solely by the skill and judgment with which an insurer builds its book of business. The efficiency with which the company operates has almost as much effect, and in many ways it is more directly controllable. In five years of operation under The Continental Corporation our insurance underwriting expense ratio has been reduced from 31.8% to 29.2%. This has involved a company-wide commitment to the use of advanced systems and technology. Important additional efficiencies are in prospect. The Continental Insurance Companies work closely with our data processing affiliate, INSCO Systems, to develop computer capabilities that will provide the best possible service to our agents and insureds, and improve our competitive position within the industry. At present, almost all of our private passenger automobile policies—approximately one million a year—and one half of our homeowners policies—approximately half a million—are now being written, endorsed and accounted for by computer. This has contributed substantially to our operating efficiency. Now, we are turning to similar opportunities for other personal and commercial lines policywriting applications. Fire insurance on residential properties and workmen's compensation are the next classifications to be automated. A start on this is already underway.

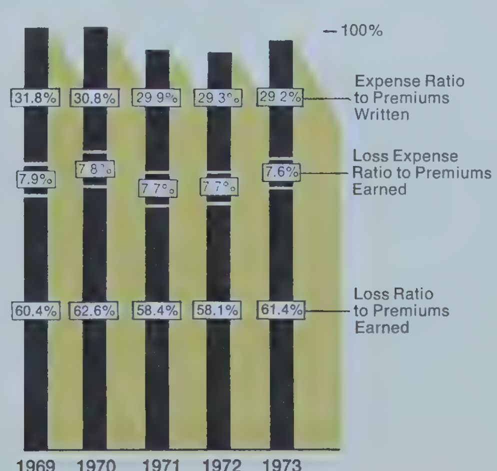
Continued advances in employee productivity can also be projected. Our computer-produced information services are already tremendously effective, and we see exciting future applications in several underwriting areas, making management by exception a reality. The "SUCCESS" system, launched in 1972, has been very rewarding as a continuing program aimed at cost effec-

Five years of careful premium growth, loss ratios that varied within a narrow range, and improved expense controls for property/casualty subsidiaries.

Premiums Written Premiums Earned



Underwriting Ratios



tive, and quality effective, staffing. It provides a reliable system for estimating manpower needs, and evaluating present staff efficiencies. The principles were initially applied to 1,150 office services personnel. We were able to reduce our staff by 26%—through attrition without replacement—upgrading the positions that remained and offering better job opportunities to the entire section. The SUCCESS program was then extended into accounting areas last year with similar results. We anticipate that by the end of 1975 this program alone will have reduced our expense ratio by a half point or more—as much as $7 million or more in annual savings.

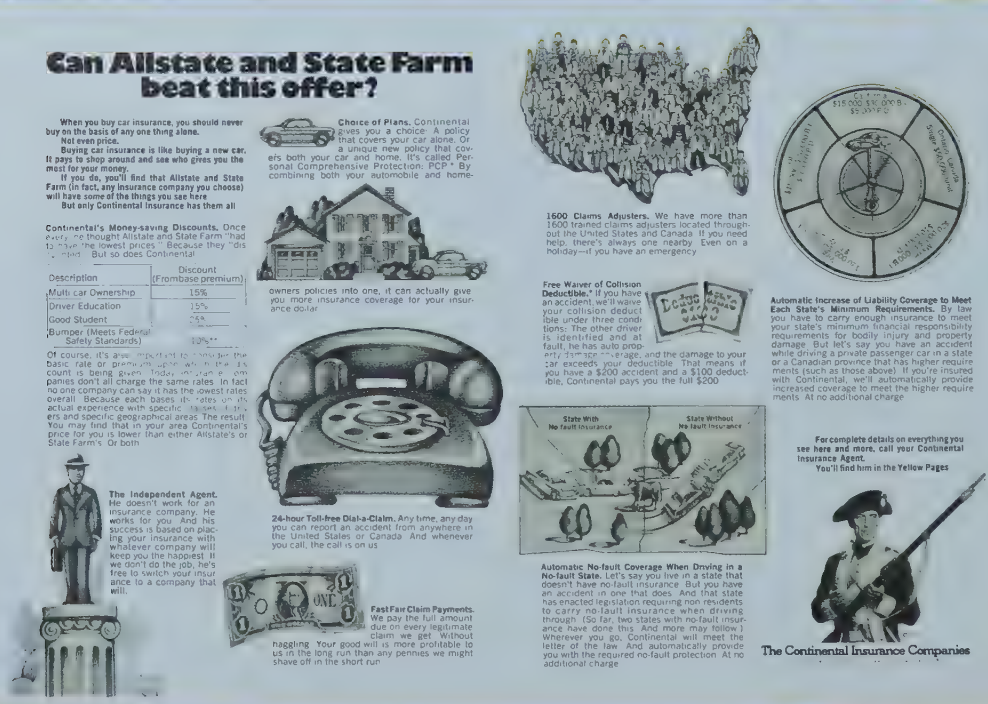
Marketing

During 1973, the insurance companies doing business through the American agency system joined with their agents in a close examination of how well this system is working and what changes will be necessary for it to become more competitive. There seems little doubt that the independent agency system is facing more pressure from alternative marketing systems than ever before, particularly in personal lines. Banks, life insurers, direct writers, direct mail marketers are all viewed as serious rivals for the consumer's personal insurance. We consider the availability of the independent agency system to be one of our greatest strengths. It would be prohibitively expensive—and quite possibly physically impossible—for an insurer to build a professional sales force as knowledgeable, and as firmly established in local markets from coast to coast as the one this system provides.

In a major marketing effort, we successfully launched the PCP policy—Personal Comprehensive Protection—in 1973. The first nationally marketed home and auto package, the PCP introduced a completely new approach to a family's insurance needs and wrapped it up in one easy-to-read sales-appealing package. Initial progress has been encouraging. We believe the PCP will, over the next five years, become the *accepted* way for a family to buy insurance—for the home; personal belongings; automobiles; personal liability, including excess limits; mortgage life insurance; hospital indemnity and related coverages.

We made substantial progress during the year in the mass merchandising of insurance, both personal lines and commercial coverages. The former involves a large scale sales approach to the employees of a sponsoring company, offering insurance at low cost, with the convenience of payroll deductions. The latter is a technique of marketing business insurance to national and regional associations of firms engaged in the

Giving expression to the confidence of the independent agent in his ability to compete, this advertisement attracted wide attention among consumers.



same business. Several recent refinements in our mass merchandising techniques are encouraging. We see a developing potential in this segment of the market.

No-Fault Automobile Insurance

Fourteen states have now passed some variation of no-fault auto legislation. In general, the transition period has gone well. The motoring public appears to be well-served and substantial premium economies have been effected. We believe the no-fault concept is in the public interest, and that it is best implemented—and regulated—at the state level. It is our belief, however, that mandatory federal guidelines should be established. Greater state-by-state uniformity would help insurers better serve the public.

Open Competition

The rating laws of many states—states jointly accounting for more than half of our premium volume—have been changed in recent years to enable individual insurers to determine their own rates and to put them into effect without delay. In the remainder of the country we are subject to provisions that have been in effect since World War II which permit rate making in concert and require prior approval of rate changes. We believe the open competition rating laws are serving the public well by providing stable markets, with rates responsive to current loss and expense experience.

Some Notes About Underwriting

We are broadly diversified within the insurance business. Our companies are up with the leaders in auto insurance, homeowners, multi-peril package policies, bonding, inland and ocean marine, aviation, credit, title insurance, accident and health, boiler and machinery, and in other categories. We operate two life insurance companies and we have a substantial equity position—27.2% —in another, Franklin Life. Geographically, our insurance companies are strong in all sections of the United States and we are growing in many of the world's other insurance markets. Our reinsurance operations—insuring other insurance companies—are substantial, and our growth prospects are excellent. This spread in operations is probably unmatched among the major insurance companies. Its importance lies in the fact that we are relatively insulated against wide swings in underwriting results. When one category of insurance does poorly—as each does occasionally—others often do well. Early warning systems allow us to make adjustments for maximum growth and profit as we go along.

The Energy Situation

It is difficult to perceive the impact the energy

Mix of business in 1973 . . . earned premiums and loss ratios by category for property/casualty subsidiaries.

Comparative Analysis of Earned Premiums

		EARNED PREMIUM *in millions*	LOSS RATIO
A	Fire & Allied Lines	$171.8	52.0%
B	Multiple Peril	$222.9	55.1%
C	Ocean Marine	$ 92.0	72.0%
D	Inland Marine	$ 51.5	51.5%
E	Accident & Health	$ 72.1	61.2%
F	Fidelity & Surety	$ 22.0	46.5%
G	Automobile	$375.3	62.2%
H	Workmen's Compensation	$156.2	74.6%
I	General Liability	$ 95.3	60.2%
J	All Other	$ 35.7	75.6%

Special Report:
THE COMPREHENSIVE BUSINESS POLICY— TEN YEARS LATER

New products—really new ones—are not a regular occurrence in the insurance business. This stems not from any particular reluctance on the part of insurers to innovate, but rather it is because the systems and social structures which our coverages serve are relatively stable. Just as society evolves, insurance evolves. We simply modify existing policy forms to reflect the changes—as we are doing now in the states that have adopted no-fault systems.

Our PCP policy—Personal Comprehensive Protection—is something brand new, and so was our CBP—Comprehensive Business Policy—when we introduced it in 1963. The CBP applied new packaging concepts to commercial and institutional risks. It provided new flexibility, both in cost and coverage, and better coverage than had previously been available. It was different in appearance, in the way it was underwritten and in the way it was sold. The question, in 1963, was whether our agents and the marketplace would go along with the changes. We hoped not only that the CBP would sell widely, but that it would attract the better risks for which all insurers compete. And we expected it to be profitable for us to underwrite even though it offered the buyer broader coverage at substantial savings. These expectations were realized and, except for a single year, the CBP has been consistently profitable, attracting more than $460 million in premium volume with a total underwriting profit of almost $24 million. Next year we anticipate that the premium volume will pass the $100 million mark.

Because of the flexibility in its original format, few subsequent changes in this policy form have been needed. Many of its innovative features have been adopted by the industry, but we know of no competitor who approaches our volume in this category of business.

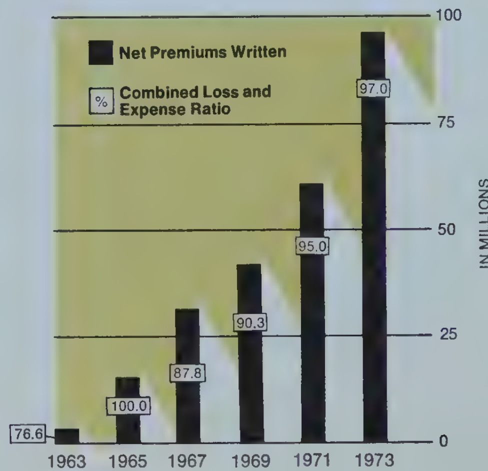
shortage will have on our insurance operations. Substantial reductions in accident frequency have been widely forecast. These have not so far been evidenced in the weekly reports we have initiated. Moreover, the costs of settling claims are rising sharply because of the surge in inflation that has accompanied the energy crisis. Inflation has been a persistent problem, particularly for its effect on the claims that are outstanding. And as inflation accelerates, the problem sharpens. We are monitoring the situation closely. As we are able to identify trends that would justify or make necessary changes in rates, we will be in a position to react quickly.

Marine Office-Appleton & Cox Corporation (MOAC)

1973 marine insurance premium writings increased almost 12% to $180 million, above our production goals for the year. As a major insurer of rivercraft and goods shipped along inland waterways, MOAC was adversely affected by severe spring flooding along the Mississippi River. Several major cotton losses were also sustained. Despite this, we finished the year with a combined loss and expense ratio of 95.3%.

MOAC's aviation category did not fare as well. Normally a profitable line, our aviation business is derived principally from MOAC's 50% interest in Associated Aviation Underwriters. AAU's experience reflected the state of commercial aviation last year. Worldwide, 27 jet airliners were lost. AAU was also affected by a federal court decision that the destruction of a Boeing 747 by Arab guerillas at Cairo airport in 1970 was not a war-

The Comprehensive Business Policy, from a new product in 1963 to commercial lines mainstay in 1973.



like operation. This judgment is being appealed, but it required the prompt creation of a substantial reserve.

The All American Marine Slip—a high-risk, high-value marine insurance syndicate assembled by MOAC late in 1972—continues to grow. Net retained capacity per risk was increased from $5.3 million to $9.6 million during the year. Six additional companies joined the syndicate, bringing the membership to 28.

Our ocean hull volume, written through the American Hull Insurance Syndicate, increased 22%.

In September, John A. Potts was advanced from executive vice president to president of Marine Office-Appleton & Cox. He succeeds John B. Ricker, Jr. who continues as board chairman.

LIFE INSURANCE OPERATIONS REPORT CONTINUED GROWTH

The National Life Assurance Company of Canada increased life sales to individuals by 44% in 1973, adding $187 million of insurance in force to the total. By the close of the year the company had individual and group life insurance in force totaling more than $3.8 billion. Pre-tax income for the year was $1.6 million. This substantial increase in new business in Canada, the United States and the Caribbean reflected growing strength of National Life in each of these markets. Sales in the United States through the agents of The Continental Insurance Companies made possible a substantial increase in production.

1974 is viewed with considerable enthusiasm at National Life's offices in Canada. A handsome new 15-story home office building in Toronto will be dedicated and occupied during the year and the company expects to exceed the prestigious $1 billion level in individual life insurance in force during the course of the year.

National-Ben Franklin Life Insurance Corporation, a mass marketing specialist within our group, had a good year contributing $2.3 million in pre-tax income. This company continues to explore new insurance products and new techniques in large scale, direct selling.

Our pre-tax earnings this past year were also strengthened to the extent of $9 million by our 27.2% participation in the statutory earnings of Franklin Life Insurance Company.

HIGHER BORROWING COSTS AFFECT OTHER SUBSIDIARIES

Title Insurance

A range of problems seemed to vie for attention in the real estate business during 1973. Housing starts declined in the face of rising interest rates, ecological restrictions, shortages of building materials and the third credit squeeze in the past ten years. Yet despite its close ties to the real estate market, American Title Insurance Company had record growth and profits this past year. At $4.4 million, its adjusted pre-tax net income was up almost 16%. At year-end, Frank B. Glover was named president, succeeding Jay R. Schwartz.

Diners Club

In 1971, a net loss at Diners Club reduced Continental's pre-tax earnings by $22.8 million. Last year, improved operations reduced the negative effect to $6.2 million. This year, in a turnaround that has been reported widely in the financial

Each advertisement for Diners Club incorporates an application blank. Number and quality of returns are carefully measured so that the effectiveness of alternative copy approaches and varying media strategies can be evaluated.

The president of Diners Club offers this friendly wager to the president of American Express:

"I'll pay you a dollar for every establishment that honors American Express...if you'll pay me a dollar for every one that honors Diners Club."

("That's the fastest way I know of to make $75,000")

Actually, the outcome isn't really in doubt.

Because all the evidence is published for anyone to see. In the latest Diners Club and American Express directories.

And, by direct comparison, Diners Club gives you credit at 75,000 *more* places around the world than American Express!

That can mean a great deal to you when you travel.

In all of Europe, the Diners Club card gives you credit at 30% more places than American Express.

For example, *Guide Michelin*, the world's most renowned restaurant guide, bestows its highest rating – three stars – on just 16 restaurants in all of France. Of these, 11 honor Diners Club (8 of them exclusively) while only 3 honor American Express (none exclusively).

In Germany, Diners Club gives you over 50% more establishments than American Express.

In the Caribbean, 50% more places in Aruba. More than twice as many in Barbados. And substantially more in St. Martin, Curacao, Martinique and Trinidad, among others.

In all of Asia, Africa and Latin America, you'll find Diners Club at three times as many places.

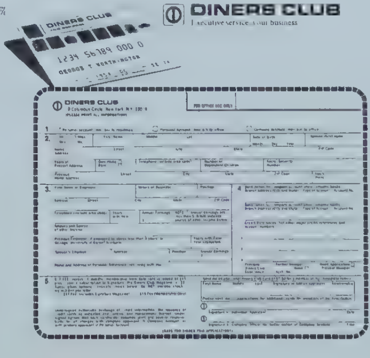
The first executive card.

Needless to say, Diners Club is honored extensively here in the U.S. – where we originated the whole idea of the executive credit card.

Of course, you can make do with your American Express card alone. But not having Diners Club means having no credit at all at 75,000 places. It could mean passing up some very nice restaurants, shops and places to stay – unless you're prepared to pay cash

That's why, even if you already have American Express, it would pay you to send in the application below. Right now, while it's still in your hands

DINERS CLUB



press, Diners Club moved into the profit column. Its contribution to pre-tax income—modest but welcome—was $2.5 million. Diners Club is no longer tied to any deficit collateral travel ventures; its computer systems are functioning smoothly, and its credit ratios are well within acceptable limits. Diners Club has been able to reduce progressively its provision for doubtful accounts as collections improved.

With operations under firm control, in April, Diners Club launched its first intensive drive for new members in several years. An advertising campaign ran in 36 newspapers and magazines from coast to coast. This was supported by a strong direct mail program in which over seven million letters were sent to prime prospects. The cumulative effect of the campaign was quickly felt. Cardholder volume increased in 1973 for the first time in three years. By fall the declining trend in membership had been arrested. Membership applications from the "take-one" boxes in hotels, airline offices and restaurants reached a new high in November, reflecting the supporting effect of the promotion being done in other media and the renewed interest in Diners Club.

Of course, the number and quality of the establishments honoring Diners cards are vital to the success of the card itself. Fortunately, Diners Club is honored at more establishments throughout the world than any other executive credit card. Moreover, the combination of renewed promotion and improved image has added many fine new establishments to the list.

Diners Club is particularly strong overseas, a point that is made effectively in its advertising. Even during the period Diners was having its problems in the United States, its overseas franchises continued to flourish. Dollar devaluations, foreign currency revaluations and the affluence of the one million foreign Diners Club members contributed greatly to our improved results last year. Foreign cardholder spending in the United States and Canada, for instance, rose 28%. Diners' preeminent position overseas is an important factor in our favor.

Capital Financial Services

Earnings declined last year at Capital Financial Services, our consumer finance subsidiary. Pretax income was $10.5 million in 1973, down from $11.2 million in 1972. The root cause was the cost of borrowed funds. In all other respects, Capital's operations were exceptional, as evidenced by a 15% gain in income *before* interest charges and taxes. Loan volume showed a good gain, as did sales finance contracts purchased. Delinquen-

Special Report:

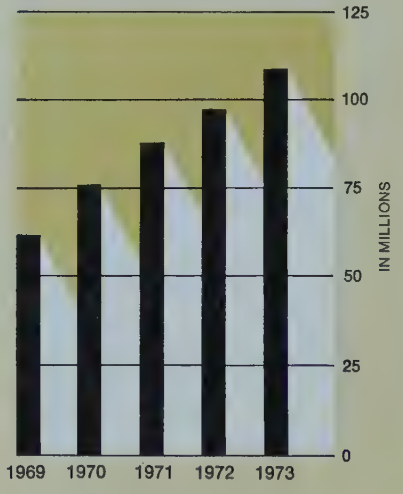
OUR FOREIGN OPERATIONS

The growth of the multinational company concept has been dramatic in the past ten years, and American insurers have been challenged to follow those corporations that have gone overseas to search for growth and profits; the corporate insurance buyer sees no reason why he should not insure his overseas properties and operations in the same way he insures them in this country. He is impatient with complications, with differences in coverages, and he would like to be able to arrange his whole program through the same insurance people who handle his program in this country.

Continental was one of the first U.S. insurers to realize that the growth of the multinationals created a unique opportunity, one that called for a major restructuring of its insurance services. When that restructuring was accomplished, Continental was one of the first to capitalize on the fact that it could now compete effectively in world markets—even for business that had no roots at all in this country.

The apparatus that was established continued Continental's long-standing participation in American International Underwriters, a relationship that dates back to the nineteen-thirties, and one that still accounts for a substantial portion of our writings abroad. We have built a multi-tiered facility upon that base, however, in order to have a variety of approaches available to meet diverse insurance needs. A 25% interest in the Phoenix of London group gives us a financial stake in a successful, worldwide insurance fleet, and the

An expanding role in world insurance markets . . . written premiums from foreign operations.



Note: Does not include Canadian Writings—$52.2 million in 1973.

Continental/Phoenix International Division makes it possible for us to offer the Phoenix service network to U.S. insureds and to coordinate their overseas coverages with the coverages we write in this country. Continental/Phoenix maintains offices in New York, Chicago, Dallas, Los Angeles and Jacksonville to service corporate buyers throughout North America. We have also established joint ventures with strong local insurers in many capitals around the world. Many of these local insurers are affiliates of the Phoenix, the Toro Assicurazioni of Italy or the Tokio Marine & Fire. We have also set up our own service facilities in the Caribbean, Belgium, France, Great Britain, Italy, Lebanon, Malaysia, Australia and Japan. And last year we acquired a 10% interest in the French insurer, La Préservatrice.

Our marine insurance subsidiary, MOAC, has also made substantial progress in world markets. It has strong representation in such traditional marine insurance centers as London, Paris, Antwerp, Amsterdam, Rotterdam and Tokyo, and it offers supporting marine claims and surveying services in all of the world's major ports. In addition, MOAC has made arrangements with more than 50 foreign insurers to settle their marine claims in the U.S.

The All American Marine Slip—AAMS—which MOAC formed in 1972, is a syndicate of U.S. insurers willing to participate in high-value, high-risk marine insurance, much of it originating abroad. AAMS increased its capacity this year from $5.3 million to more than $9.6 million net per risk, and its roster of members grew to 28.

Some 50% of the world's marine insurance is still either written or reinsured in London, but MOAC has effectively established itself as a worthy competitor on the international scene.

Reinsurance—insuring other insurance companies—has provided additional overseas opportunities, supplementing our other activities. Continental's foreign reinsurance department reinsures business in 41 different countries for over 130 foreign insurers. With heavy emphasis on direct business in Europe and in the developing nations of South America, Africa and Asia, its premium volume has been growing at an annual rate of better than 20%. Our Bermuda reinsurer, The Security Reinsurance Corporation, Limited, looks to brokers in the insurance markets of Europe for a substantial portion of its volume. Further growth is anticipated there with the establishment last year of an English subsidiary, London Security Reinsurance Company, Limited.

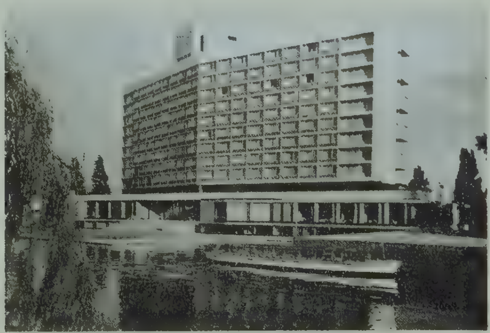
Continental's foreign operations are diverse, and developing aggressively, although they are still a small part of our total picture. The profit return is above average, however, and the growth potential is impressive.

■ ■ ■

Insuring over 20,000 hotel rooms in 39 countries under one comprehensive contract for a Marsh & McLennan client headquartered in New York epitomizes the kind of service our Continental/Phoenix International Division provides to U.S. companies. The hotels operated by Hilton International span the world. Yet a single, master policy, supplemented by locally issued underlying policies, provides Hilton with liability coverage overall, taking into account the scores of legal systems and insurance codes under which the various locations operate. Already scheduled for coverage, is the new 386-room Beirut Hilton, opening this fall. The Beirut Hilton will be operated by Hilton International under contract from the owners, L'Union Nationale, Societe General D'Assurance, a Continental affiliate.

Associated Aviation Underwriters, one of our affiliates, writes the major portion of the worldwide coverage for Hilton International's parent company, Trans World Airlines, Inc., on all TWA aircraft and the liability for their air and ground operations. This program is also placed through Marsh & McLennan.

Through Johnson & Higgins, Continental's domestic accident and health department writes worldwide accident insurance for TWA employees on a payroll deduction basis. This coverage can be extended for flight personnel to cover flight duty. Under separate contracts we provide accident coverage for specified classifications of TWA employees and certain war-related coverage outside the U.S.A. for all employees.



Amsterdam Hilton Hotel
Amsterdam, the Netherlands

cies were at low levels, and charge-offs of uncollectible accounts were substantially below those of 1972.

Capital Services Inc.

Capital Consumer Discount

Capital Financial Services

Capital Industrial Loan Co.

Capital Industrial Savings & Loan Co.

During 1973 Capital Financial Services completed its introduction of an entirely new family of corporate signatures for the parent company and its subsidiaries. A major consumer finance company, Capital operates 335 offices in 19 states.

Chairman Wentworth's letter refers to the agreement announced November 9 calling for the purchase of Capital Financial Services by the Continental Illinois Corporation. The transaction now awaits favorable rulings by the Internal Revenue Service and the Federal Reserve Board.

AFCO Credit Corporation

AFCO, whose primary business is the financing of insurance premiums—not just for Continental, but for many other insurers—also encountered higher borrowing costs. As a result, pre-tax income fell to $2.2 million, well below the record levels set in both 1971 and 1972.

AFCO's volume of premiums financed in the United States declined from $374 million in 1972 to $361 million this year. CAFO—AFCO's Canadian affiliate—increased its volume from $56 million a year ago to $59 million in 1973.

Excellent growth was reported by AFCO's automobile financing unit, a small but promising operation established in 1965. The number of loans increased 27% last year; dollar volume is now approaching $8 million.

Underwriters Adjusting Company

Underwriters Adjusting Company, one of the nation's largest claims and loss organizations, is continuing to expand the services it provides to the insurance companies in the Continental organization and to the insurance industry as a whole. In March, UAC acquired Quality Adjustment Service, a well-known company specializing in automobile physical damage claims. UAC now has 375 service locations from coast to coast, and a staff of over 3,300.

UAC's pre-tax income in 1973 was $1.7 million, an increase of 53.3%. Billings to companies outside the Continental organization rose 46%. The sale of services outside—to other insurance companies and to self-insurers—now represents over one-fifth of UAC's total income. Our budget estimates call for a 32% increase in this business next year.

The INSCO Systems Corporation

Since its founding five years ago, INSCO has built a national reputation as a supplier of data processing services and software for insurance-related application. Much of its original sales orientation was toward software designed for very large computer systems. It is now shifting its emphasis to the marketing of policy issuance and reporting systems to small and medium size insurers. It is to this segment of the market that INSCO looks for the stability that only a broad customer base can provide. In the transition, INSCO's 1973 sales to companies outside the Continental organization decreased 24%. It contributed $1.2 million in pre-tax income compared with $2 million the previous year.

INSCO's sophistication in the field of insurance was underscored this year when Ohio was added to the list of 11 state FAIR (Fair Access to Insurance Requirements) Plans that have turned to it for services.

Investing for The Continental Corporation

The 16.8% increase in investment income during 1973 was one of the most favorable developments in our financial operations. The gain, from $111.2 million in 1972 to $129.9 million last year, was achieved despite the restrictions on dividend increases imposed by the federal guidelines. Invested assets, however, declined 2.9% during 1973, ending the year at $2.74 billion. The decrease of $82.4 million reflected a reduction of $205.5 million in securities values, offset in part by additions to the portfolio.

1973 was, of course, a turbulent year in the money markets. A series of events outside the United States, compounded by domestic mishaps, combined to upset the economy. Inflation was almost double what had been forecast, and pricing seemed almost out of control in Phases 3 and 4. Short-term interest rates reached the 10% level, and the stock market sank 170 points on the Dow Jones industrial average.

Our primary investment objective—always—is to preserve the financial integrity of The Continental Corporation and its subsidiaries. Complementing that objective, we invest for growth of capital to finance our operations and to earn higher returns from which we can declare dividends to the owners of our company—the shareholders.

In addition to acquiring Continental shares in the open market—at a cost of $24 million—we purchased $96.5 million in new securities during the year, somewhat less than the $146 million in 1972 and the $144 million of two years ago. In accordance with our objectives, given the investment environment 1973 provided, we accumulated relatively short-term securities to meet operating expenses and to pay insurance losses; high-grade bonds and preferred stocks to cover our required "reserve investments," and common stock in quality American companies with the remaining funds.

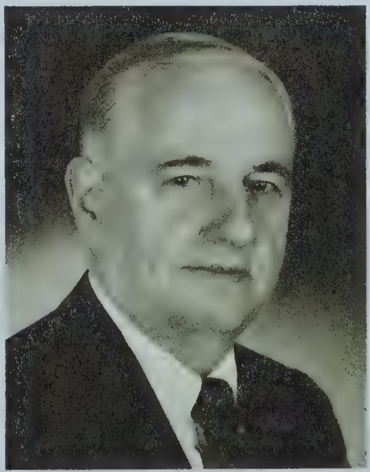
Harold E. Johnson
Executive Vice President
Financial Operations

A summary follows:

PURCHASES (AND SALES) OF SECURITIES

U. S. Government Bonds	$(12,407,000)
Tax-Exempt Bonds	25,697,359
Other Bonds	(4,221,380)
Pfd. Stocks	49,989,019
Purch. (Sales) of Fixed Income Oblig.	59,057,998
Bank & Ins. Stocks	6,667,327
Public Util. Com. Stks.	8,698,295
Industrial Com. Stocks	19,559,848
Railroad Com. Stocks	2,539,387
Minority Interests	9,644
Purch. (Sales) of Common Stocks	37,474,501
Purch. (Sales) of Bonds & Stocks	$ 96,532,499

The Continental Corporation and its predecessor companies have consistently invested in equities for well over a half century. We select American companies of outstanding management, high potential and strong capital resources. In addition, we often add to existing investment positions in the companies that operate most successfully. The portfolio presented on pages 26 through 32 reflects the long-term success of this program.



Consolidated Income Statements

Year ended December 31 1972	1973	
(000 omitted)		
		REVENUE
$ 1,337,871	**$ 1,384,711**	Premiums Earned
		Investment Income:
19,590	**23,258**	Interest Income—Taxable
29,042	**33,050**	Interest Income—Tax-exempt
59,598	**66,681**	Dividend Income
5,281	**8,422**	Undistributed Income of Minority Affiliates
1,807	**2,115**	Real Estate Income
$ 115,318	**$ 133,526**	Total Investment Income
69,006	**73,859**	Finance Companies' Revenue
54,601	**56,423**	Credit Card Company's Revenue
3,716	**3,495**	Income from other sources
$ 1,580,512	**$ 1,652,014**	Total Revenue
		OUTGO
$ 1,281,708	**$ 1,363,019**	Insurance Expenses and Deductions
4,124	**3,654**	Investment and Real Estate Expenses
54,816	**62,772**	Finance Companies' Expenses and Deductions
60,806	**53,949**	Credit Card Company's Expenses and Deductions
14,104	**13,854**	Other Expenses and Deductions
$ 1,415,558	**$ 1,497,248**	Total Outgo
4,585	**5,038**	Income of Life Companies
$ 169,539	**$ 159,804**	Operating Income
(852)	**2,702**	Other Income (Outgo)
$ 168,687	**$ 162,506**	INCOME (Before Taxes)
33,065	**25,412**	Income Taxes—Current
15,499	**5,864**	Income Taxes—Deferred
$ 120,123	**$ 131,230**	NET INCOME
6,532	**6,506**	NET REALIZED CAPITAL GAINS (After Taxes)
$ 126,655	**$ 137,736**	NET INCOME AND REALIZED CAPITAL GAINS
		PER SHARE
$ 4.72	**$ 5.22**	Net Income (1)
.28	**.27**	Net Realized Capital Gains
$ 5.00	**$ 5.49**	Net Income and Realized Capital Gains
		(Assuming Full Conversion of Preferred Stock)
$ 4.36	**$ 4.84**	Net Income
.24	**.24**	Net Realized Capital Gains
$ 4.60	**$ 5.08**	Net Income and Realized Capital Gains
23,457,619	**23,730,609**	Average Shares of Common Stock Outstanding
27,552,282	**27,108,612**	Assuming Full Conversion of Preferred Stock

(1) After Allowing for Preferred Dividends: 1973—$7,417; 1972—$9,321.

SEE NOTES TO FINANCIAL STATEMENTS

Consolidated Balance Sheets

December 31 1972	1973	
(000 omitted)		**ASSETS**
$ 2,826,661	$ 2,744,250	Bonds and Stocks
113,090	87,335	Cash
178,081	196,744	Premium Balances
440,281	461,700	Loans and Accounts Receivable (Less Reserve for Doubtful Accounts and Unearned Charges: $93,812 for 1973 and $82,120 for 1972)
90,175	93,040	Credit Card Receivables (Less Reserve for Doubtful Accounts: $10,690 for 1973 and $11,153 for 1972)
89,225	94,646	Real Estate
18,615	20,419	Interest and Dividends Accrued
18,197	19,686	Furniture, Equipment and Automobiles
108,341	130,494	Equity in Assets of Underwriting Associations
179,836	185,793	Equity in Unearned Premium Reserve
249,722	304,423	Assets of Life Companies
120,092	135,098	Other Assets
$ 4,432,316	$ 4,473,628	TOTAL ASSETS
		LIABILITIES
$ 637,688	$ 655,907	Reserve for Unearned Premiums
958,924	1,067,232	Reserve for Losses and Loss Expenses
36,748	41,350	Reserve for Expenses and Taxes
46,887	59,534	Funds Held Under Reinsurance Treaties
352,730	363,893	Notes Payable and Bank Loans
91,055	82,090	Deposits of Savings and Loan Company
212,138	261,169	Reserves and Liabilities of Life Companies
72,213	50,291	Provision for Retirement Allowances
13,239	17,206	Provision for Income Taxes—Current
386,505	326,692	Provision for Income Taxes—Deferred
141,280	144,453	Other Liabilities
$ 2,949,407	$ 3,069,817	TOTAL LIABILITIES
		SHAREHOLDERS' EQUITY
		Preferred Stock $4 Par Value
$ 10,601	$ 5,594	Series A
4,289	2,605	Series B
46,921	50,594	Common Stock $2 Par Value
$ 61,811	$ 58,793	TOTAL CAPITAL
		Surplus:
$ 147,014	$ 149,897	Paid In
811,134	665,734	Unrealized Appreciation on Investments
462,950	538,291	Earned
$ 1,421,098	$ 1,353,922	TOTAL SURPLUS
—	(8,904)	Less Common Stock Held in Treasury, 224,418 Shares—At Cost
1,482,909	1,403,811	CAPITAL AND SURPLUS
$ 4,432,316	$ 4,473,628	**TOTAL LIABILITIES, CAPITAL AND SURPLUS**

SEE NOTES TO FINANCIAL STATEMENTS

Consolidated Statements of Shareholders' Equity

December 31 1972	December 31 1973	
		NUMBER OF CAPITAL SHARES ISSUED:
		Preferred Stock $4 Par Value, 10,000,000 Shares Authorized
		$2.50 Cumulative Convertible
2,650,178	**1,398,414**	Series A
1,072,243	**651,386**	Series B
3,722,421	**2,049,800**	Total Preferred Shares (1) (2)
23,460,574	**25,296,795**	Common Stock $2 Par Value, 50,000,000 Shares Authorized
27,182,995	**27,346,595**	TOTAL NUMBER OF PREFERRED AND COMMON SHARES ISSUED

(1) Convertible at rate of 1 share of preferred for 1.1 shares of common stock

(2) Liquidating Value—$102.5 million ($50 per share)

Year ended December 31 1972	Year ended December 31 1973	
(000 omitted)		**CAPITAL:**
$ 14,967	**$ 14,890**	Preferred Stock at Beginning of Year
(77)	**(6,691)**	Adjustment for Shares Converted
$ 14,890	**$ 8,199**	Preferred Stock at End of Year
46,879	**46,921**	Common Stock at Beginning of Year
42	**3,673**	Adjustment for Shares Issued on Conversion
$ 46,921	**$ 50,594**	Common Stock at End of Year
61,846	**61,811**	Capital at Beginning of Year
(35)	**(3,018)**	Adjustment for Shares Issued and Converted
$ 61,811	**$ 58,793**	CAPITAL at End of Year
		SURPLUS:
$ 1,174,893	**$ 1,421,098**	Surplus at Beginning of Year
120,123	**131,230**	Net Income
6,532	**6,506**	Net Realized Capital Gains
176,836	**(145,400)**	Net Change in Unrealized Appreciation on Investments
33	**2,883**	Additions to Paid In Surplus
(1,090)	**(591)**	Other Changes
$ 302,434	**$ (5,372)**	Net Changes Before Dividends
		Dividends Paid
9,321	**7,417**	Preferred
46,908	**54,387**	Common
246,205	**(67,176)**	Net Changes
$ 1,421,098	**$ 1,353,922**	SURPLUS at End of Year
		SHAREHOLDERS' EQUITY:
$ 1,236,739	**$ 1,482,909**	Capital and Surplus at Beginning of Year
(35)	**(3,018)**	Net Changes in Capital
246,205	**(67,176)**	Net Changes in Surplus
—	**(8,904)**	Net Purchase of Treasury Stock
$ 1,482,909	**$ 1,403,811**	CAPITAL AND SURPLUS at End of Year

SEE NOTES TO FINANCIAL STATEMENTS

Statements of Changes in Financial Position

Year ended December 31 1972	1973	
(000 omitted)		
$2,517,682	$2,939,751	BONDS, STOCKS AND CASH BEGINNING OF YEAR
		FUNDS AVAILABLE
		From operations
120,123	131,230	Net income
6,532	6,506	Realized gain on sale of securities (net of taxes)
		Charges (credits) to income not requiring funds:
113,935	108,308	Increase in reserve for losses and loss expenses
20,790	18,219	Increase in reserve for unearned premiums
(32,441)	(54,701)	(Increase) in assets of life companies
34,726	49,209	Increase in other reserves and liabilities
(34,372)	(72,679)	(Increase) in other assets
8,751	10,470	Depreciation
(8,881)	(5,176)	Other sources
$ 229,163	$ 191,386	
—	14,953	Investments acquired for 376,888 shares of Treasury stock
35,943	(2,865)	(Increase) decrease in credit card receivables
251,401	—	Increase in unrealized appreciation on securities
50,474	19,825	Increase in finance company bank loans and notes payable
$ 566,981	$ 223,299	TOTAL FUNDS available
		FUNDS APPLIED
$ 49,130	$ 21,419	Increase in finance company receivables
—	23,857	Purchase of 594,500 shares of Treasury stock
34,208	8,662	Decrease in notes payable and bank loans applicable to credit card operations
—	205,530	Decrease in unrealized appreciation on securities
1,046	8,883	Purchase of real estate
46,908	54,387	Dividends—common
9,321	7,417	Dividends—preferred
4,299	1,310	Other—net
144,912	331,465	TOTAL FUNDS applied
$2,939,751	$2,831,585	BONDS, STOCKS AND CASH END OF YEAR
		INCREASE IN SECURITIES AND CASH SUMMARIZED AS FOLLOWS:
$ 168,822	$ 116,504	Excess of securities purchased over sales—at cost (1)
3,132	6,615	Increase in carrying value of minority affiliates
251,401	(205,530)	Increase (decrease) in unrealized appreciation
(7,772)	—	Securities held by subsidiaries sold
$ 415,583	$ (82,411)	Increase (decrease) in securities
6,486	(25,755)	Increase (decrease) in cash
$ 422,069	$ (108,166)	NET INCREASE (DECREASE)

(1) Purchases and sales (maturities) are summarized as follows:

	1973			1972		
	Purchases	Sales	Net Additions	Purchases	Sales	Net Additions
	(000 omitted)			(000 omitted)		
Bonds	$373,186	$358,234	$ 14,952	$196,796	$117,534	$ 79,262
Preferred Stock	49,570	1	49,569	39,157	169	38,988
Common Stock	56,343	4,360	51,983	53,652	3,080	50,572
Total	$479,099	$362,595	$116,504	$289,605	$120,783	$168,822

SEE NOTES TO FINANCIAL STATEMENTS

Comparative Financial Data

The Continental Corporation

Year ended December 31 1969	1970	1971	1972	1973	
(000 omitted)					
$ 1,312,518	$ 1,470,999	$ 1,559,189	$ 1,580,512	**$ 1,652,014**	Revenues
57,273	69,222	96,042	120,123	**131,230**	Net Income After Taxes (Excluding Capital Gains)
3,282,587	3,642,859	3,935,839	4,432,316	**4,473,628**	Consolidated Assets
2.04	2.51	3.49	4.36	**4.84**	Net Income Per Share (Excluding Capital Gains, Assuming Full Conversion of Preferred Stock)

Year ended December 31 1969	1970	1971	1972	1973	**Property and Casualty Subsidiaries (1)**
(000 omitted)					
$ 1,140,554	$ 1,220,058	$ 1,234,544	$ 1,271,250	**$ 1,302,954**	Premiums Written
1,131,737	1,207,788	1,257,125	1,255,628	**1,294,675**	Premiums Earned
773,422	850,824	830,960	826,206	**893,403**	Losses & Loss Expenses
362,522	376,118	369,124	372,052	**380,440**	Underwriting Expenses
(4,207)	(19,154)	57,041	57,370	**20,832**	Statutory Underwriting Profit or (Loss)
(3,685)	(11,965)	39,517	57,775	**22,541**	Adjusted Underwriting Profit or (Loss)
(6,289)	(6,938)	(8,000)	(6,816)	**(7,846)**	Dividends to Policyholders
75,165	82,911	88,797	98,233	**112,432**	Investment Income (Excluding Realized Gains) (2)
59,414	58,644	116,644	133,775	**116,850**	Adjusted Operating Income (Before Taxes) (3)
					RATIOS
68.3%	70.4%	66.1%	65.8%	**69.0%**	Loss and Loss Expense Ratio
31.8%	30.8%	29.9%	29.3%	**29.2%**	Underwriting Expense Ratio
100.1%	101.2%	96.0%	95.1%	**98.2%**	Combined Ratio
					AS OF DECEMBER 31
$ 1,755,375	$ 1,868,185	$ 2,140,043	$ 2,509,983	**$ 2,376,108**	Bonds and Stocks (Market Values)
581,593	593,862	571,282	586,904	**595,182**	Reserve for Unearned Premiums
685,434	748,654	821,642	929,313	**1,034,897**	Reserve for Losses and Loss Expenses

(1) Other than reinsurance companies.
(2) Includes undistributed income of minority affiliates and amortization of bond discounts and premiums.
(3) On a generally accepted accounting principles basis.

SEE NOTES TO FINANCIAL STATEMENTS

Comparative Financial Data

Operating Results (Before Taxes) Year ended December 31 1972	1973		Capital and Surplus December 31 1973	1972
(000 omitted)			(000 omitted)	
		National Reinsurance Corporation	$ 48,444	$ 48,426
		Security Reinsurance Corporation Limited	49,474	43,447
$ 68,932	$ 74,282	Premiums Written		
61,739	65,826	Premiums Earned		
(542)	305	Statutory Underwriting Profit or (Loss)		
1,936	3,218	Adjusted Underwriting Profit		
4,491	5,213	Investment Income		
6,406	8,405	Adjusted Operating Income		
		American Title Insurance Companies	11,725	10,899
21,748	25,694	Premiums Written		
20,503	24,210	Premiums Earned		
2,147	2,442	Statutory Underwriting Profit		
3,267	3,778	Adjusted Underwriting Profit		
769	874	Investment Income		
3,838	4,440	Adjusted Operating Income		
		National Life Assurance Company of Canada	20,988	20,066
1,977	1,583	Operating Income		
		National-Ben Franklin Life Insurance Corporation	14,947	12,338
1,055	2,279	Operating Income (A & H Adjusted)		
		AFCO Credit Corporation	15,383	14,914
		CAFO, Limited	2,275	2,110
17,370	18,666	Gross Revenue		
5,956	9,333	Cost of Borrowings		
320	234	Provision for Doubtful Accounts		
4,346	2,217	Operating Income		
		Capital Financial Services, Inc.	56,973	54,215
50,895	54,337	Gross Revenue		
13,426	17,820	Cost of Borrowings		
4,962	3,795	Provision for Doubtful Accounts		
9,693	8,715	Income of Finance Companies		
1,550	1,757	Income of Life Company		
11,243	10,472	Operating Income		
		Diners' Club, Inc.	26,056	24,932
54,601	56,423	Gross Revenue		
3,895	4,490	Cost of Borrowings		
9,232	3,335	Provision for Doubtful Accounts		
(6,205)	2,474	Income (Loss)		
		INSCO Systems Corporation	3,757	2,902
2,001	1,246	Operating Income		
		Underwriters Adjusting Company	3,736	3,319
1,107	1,697	Operating Income		
		Other Subsidiaries		
807	650	Operating Income		

SEE NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. Principles of Consolidation

The consolidated financial statements, which include the accounts of all subsidiaries, have been prepared on the basis of generally accepted accounting principles, except for life insurance companies which are included on a statutory basis. Life operations are not material in relation to consolidated operations. Two subsidiaries, National Reinsurance Corporation and Security Reinsurance Corporation, Limited, have been consolidated based on years ending September 30.

Bonds and stocks, except for investments in minority affiliates, are carried at quoted market values. Minority affiliates, Franklin Life Insurance Company (27.2% owned) and Phoenix Assurance Company, Ltd. (25.0% owned), are carried at cost plus equity in earnings since acquisition. These investments, with a quoted market value at December 31, 1973 of $197 million, are carried at $212 million which exceeds underlying equity in their statutory net assets by $130 million. In accordance with accounting principles in effect at the time of acquisition, this excess of carrying value over underlying equity in net assets is not being amortized.

Insurance premiums are reflected in income on a pro rata basis over the life of the policies. Acquisition costs related to unearned premiums are similarly deferred and amortized to income over the life of the policies. The method followed in computing the deferred acquisition costs limits such deferral to the lower of (1) that which remains after deducting the expected amount of losses and loss expenses that will be incurred as the premiums are earned, or (2) the expenses applicable to the unearned premiums; the result is then reduced by 2% of the unearned premiums to cover run-off expenses.

The reserve for losses and loss expenses includes provisions for the estimated costs of investigating and settling all claims incurred prior to December 31, 1973.

Provision has been made for deferred income taxes relating to unrealized appreciation on investments and for deferred income taxes relating to items which have been included in earnings reported to shareholders but which will not affect taxable earnings until later years, principally prepaid acquisition costs and provisions for retirement allowances.

Foreign assets and liabilities are translated to their U.S. dollar equivalent at current rates of exchange. Translation gains or losses, which in the aggregate are not significant, have been included in operations.

2. Diners Club

The carrying value of investments in and loans to Diners' Club, Inc., amounted to $75.0 million and $81.5 million at December 31, 1973 and 1972, respectively. In accordance with accounting principles in effect at the date of acquisition, the excess of carrying value over net assets acquired is not being amortized as Continental believes that the $19.7 million excess continues to have a value of at least that amount. At December 31, 1973, Continental's investment (at cost) in Diners' common stock was $40 million and $78 million in preferred stock. During 1973, Diners reduced its loans from Continental from $38 million to $30 million.

3. Retirement Plan

Since 1910, the insurance companies have had an unfunded, voluntary, non-contributory retirement plan that applies to all employees and officers. During 1972 this plan was converted into a contractual plan which is to be funded at the maximum rate allowable for tax purposes. Provision for pension expenses including amortization of prior service costs over a 40-year period amount to $17.4 million in 1973 and $21.5 million in 1972. The actuarial liability for unfunded retirement cost at December 31, 1973 is approximately $134.9 million of which $50.3 million has been reserved.

4. Federal Income Tax

Continental and its domestic subsidiaries, where permitted, file consolidated Federal income tax returns. The returns for the years 1958 through 1969 have been examined, and additional taxes were proposed. Continental is protesting the proposed assessment. Management believes that they have adequate defenses against or reserves sufficient to provide for such adjustments.

5. Income Tax Expense

Income tax expense charged to operating income is made up of the following components:

	1973	1972
	(000 omitted)	
Current Tax Expense	$25,412	$33,065
Deferred Tax Expense	5,864	15,499
	$31,276	$48,564

Total tax expense on operating income for 1973 amounted to $31,276,000 (an effective rate of 19.2%), a total less than the amount of $78,003,000 computed by applying the U.S. Federal income tax rate of 48% to income before tax. The reasons for this difference are as follows:

	1973		1972	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
	(000 omitted)			
Computed "expected" tax expense	$78,003	48.0%	$80,970	48.0%
Increases (reductions) in taxes resulting from:				
Tax exempt interest	(15,076)	(9.3)	(13,455)	(8.0)
Dividend received deduction	(24,247)	(14.9)	(21,165)	(12.5)
Misc. items ...	(7,404)	(4.6)	2,214	1.3
Total tax expense ...	$31,276	19.2%	$48,564	28.8%

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

	1973	1972
	(000 omitted)	
Provision for catastrophe losses.......	$ (960)	$ (4,800)
Retirement plan costs	(239)	6,106
Equity in undistributed income of minority affiliates	1,824	1,201
Change in equity in unearned premiums	2,898	1,831
Miscellaneous items, no individual item amounts to more than 15% of deferred income taxes incurred	2,341	11,161
	$5,864	$15,499

6. Per Share Computations

Per share computations are based on the weighted average number of common shares outstanding during the year. Assuming full dilution, per share computations are based on the assumption that preferred stock $4.00 par value, $2.50 cumulative convertible Series A and Series B were converted to their equivalent 1.1 share of common stock at the beginning of the year.

7. Legal Proceedings

Diners is the defendant in various legal actions, in several of which Continental and other of its subsidiaries have been named defendants. Management and its counsel are of the belief that these suits will be disposed of without material losses to Continental.

8. Catastrophe Reserve

In years prior to 1972, Continental's policy was to charge catastrophe losses to operations in the year the loss was incurred. In 1972, since certain premium rates contain a loading factor to cover catastrophe losses which occur on an irregular basis, the accounting policy was amended to start accruing for these losses annually on a predetermined basis in order to more consistently match income with related expenses. As catastrophes occur in the future, losses in excess of amounts normally anticipated in any one year will be charged to the reserve. As a result of the change in policy, insurance expenses were increased by $2,000,000 in 1972 and 1973 and other income was charged with $8,000,000 in 1972, which was a non-recurring item to establish an initial reserve. Net income after taxes was reduced by $5,200,000 or $.22 per share in 1972. No catastrophe losses were charged to the reserve in 1972 or 1973. The Financial Accounting Standards Board, in cooperation with industry representatives, is considering the industry practice of establishing catastrophe reserves and an accounting principle may be adopted which differs from the present policy.

Report of Independent Public Accountants

PEAT, MARWICK, MITCHELL & CO.
345 PARK AVENUE
NEW YORK, NEW YORK 10022

The Board of Directors
The Continental Corporation:

We have examined the consolidated balance sheets of The Continental Corporation and subsidiaries as of December 31, 1973 and 1972, and the related consolidated income statements, statements of shareholders' equity and statements of changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of The Continental Corporation and subsidiaries at December 31, 1973 and 1972 and the results of their operations and the changes in their financial position for the years then ended in conformity with generally accepted accounting principles which, except for the change in 1972 (with which we concur) in the method of providing for catastrophe losses as described in Note 8 to the financial statements, have been applied on a consistent basis.

Peat, Marwick, Mitchell & Co

February 22, 1974

Summary of Investment Portfolio

CONSOLIDATED BOND AND MATURITY SCHEDULE Par Value (000 omitted)

	U.S. Government	Tax-Exempt	Other	Total	% Due In Period	% Due Cumulatively
1974	$ 21,502	$ 11,476	$ 95,050	$ 128,028	14.3	14.3
1975	1,535	14,029	3,707	19,271	2.1	16.4
1976	2,203	12,505	8,645	23,353	2.6	19.0
1977	122	8,485	4,783	13,390	1.5	20.5
1978	—	9,161	10,431	19,592	2.2	22.7
1974-1978	25,362	55,656	122,616	203,634	22.7	22.7
1979-1983	1,560	35,881	21,232	58,673	6.5	29.2
1984-1993	2,885	129,695	51,382	183,962	20.5	49.7
Post 1993	550	433,116	17,363	451,029	50.3	100.0
Total	$ 30,357	$ 654,348	$ 212,593	$ 897,298	100.0	

DIVERSIFICATION OF BONDS AND STOCKS Market Basis (000 omitted)

	December 31, 1973		December 31, 1972	
Bonds				
U.S. Government	$ 28,977	1.1%	$ 41,328	1.5%
Govt. of Canada, Prov. and Local Govt.	51,044	1.9	54,073	2.0
Other Foreign Govt.	2,077	0.1	1,924	0.1
U.S. Govt. Agency	99,991	3.7	98,347	3.5
State	79,180	3.0	85,913	3.1
Local Government	91,763	3.4	89,286	3.2
Revenue and Special Obligations	350,097	13.1	332,137	12.0
Corporate	140,011	5.3	143,504	5.2
Total Bonds	843,140	31.6	846,512	30.6
Preferred Stocks				
Total Preferred Stocks	177,103	6.7	141,964	5.1
Common Stocks				
Automobile and Equipment	22,591	0.8	39,935	1.4
Bank	245,534	9.2	238,360	8.6
Building	10,556	0.4	15,078	0.5
Chemical and Drug	128,867	4.8	138,139	5.0
Communications	47,374	1.8	50,623	1.8
Electrical Equipment	23,778	0.9	27,307	1.0
Electronics	13,822	0.5	15,776	0.6
Finance	4,583	0.2	5,533	0.2
Food	19,637	0.7	23,743	0.9
Glass	26,794	1.0	35,082	1.3
Machinery	74,625	2.8	71,337	2.6
Non-Ferrous Metal	81,175	3.0	63,654	2.3
Office Equipment	177,992	6.7	228,929	8.3
Oil	183,349	6.9	187,482	6.8
Paper	42,068	1.6	34,148	1.2
Photography and Optical	73,243	2.8	94,658	3.4
Public Utility	139,987	5.3	167,639	6.1
Railroad	3,798	0.1	162	—
Retail and Apparel	29,194	1.1	46,000	1.7
Steel	21,564	0.8	26,041	0.9
Miscellaneous	273,868	10.3	269,024	9.7
Service Organizations	258	—	481	—
Total Common Stocks	1,644,657	61.7	1,779,131	64.3
Bonds and Stocks	2,664,900	100.0%	2,767,607	100.0%
Bonds and Stocks—Other Subsidiaries	79,350		59,054	
Total Bonds and Stocks	$2,744,250		$2,826,661	

Consolidated Portfolio of Bonds and Stocks

BOND SUMMARY

	Par Value	Market Value Dec. 31, 1973
	(000 omitted)	(000 omitted)
United States Government	$ 30,357	$ 28,977
U.S. Government Agency	$ 102,949	$ 99,991
State, Local Government, Revenue and Special Obligations:		
State	$ 86,679	$ 79,180
Local Government	98,327	91,763
Revenue and Special Obligations	371,693	350,097
Total State, Local Government, Revenue and Special Obligations	$ 556,699	$ 521,040
Government of Canada, Provincial and Local Government:		
Canada	$ 30,030	$ 26,015
Provincial	22,109	19,987
Local Government	5,725	5,042
Total Government of Canada, Provincial and Local Government	$ 57,864	$ 51,044
Other Foreign Governments:		
Dominican Republic	$ 391	$ 391
France	1,303	1,293
Jamaica	57	55
Japan	32	31
Netherlands	307	307
Total Other Foreign Governments	$ 2,090	$ 2,077
Corporate		
United States	$ 107,151	$ 101,905
Canada	40,188	38,106
Total Corporate	$ 147,339	$ 140,011
Total Bonds	$ 897,298	$ 843,140

PREFERRED STOCKS

	No. of Shares	Market Value Dec. 31, 1973
		(000 omitted)
RAILROAD		
Canadian Pacific Ltd., 7¼% A	20,000	$ 210
Carolina, Clinchfield & Ohio Ry., 5% Guar.	5,000	312
United New Jersey R.R. & Canal Co., Guar.	2,000	86
Total Railroad		$ 608

	No. of Shares	Market Value Dec. 31, 1973
		(000 omitted)
PUBLIC UTILITY		
Alabama Power Co., 5.96%	2,000	$ 145
Alabama Power Co., 8.16%	20,000	1,990
American Tel. & Tel. Co., $3.64	220,000	10,600
American Tel. & Tel. Co., $3.74	385,000	18,769
American Tel. & Tel. Co., $4.00	100,000	5,757
Anglo-Canadian Tel. Co., $3.15	3,000	123
Arkansas Pwr. & Lt. Co., 7.40%	20,000	1,845
Arkansas Pwr. & Lt. Co., 7.80%	10,000	970
Arkansas Pwr. & Lt. Co., 7.88%	15,000	1,466
Baltimore Gas & Elec. Co., 5.40% D	14,600	1,015
Baltimore Gas & Elec. Co., 6½%	1,000	80
Baltimore Gas & Elec. Co., 7.75%	5,000	472
Baltimore Gas & Elec. Co., 7.78%	10,000	960
Baltimore Gas & Elec. Co., 7.88%	20,000	1,910
Bell Tel. Co. of Canada, $2.25	14,000	425
Bell Tel. Co. of Canada, $3.20	1,700	73
Blackstone Valley Elec. Co., 5.60%	2,000	134
British Columbia Tel. Co., 4.84%	7,000	107
Canadian Utilities Ltd., $1.25 2nd	13,200	238
Carolina Pwr. & Lt. Co., $5.44	4,700	317
Central Illinois Lt. Co., 4.64%	4,100	236
Central Maine Pwr. Co., 4.60%	1,500	86
Cincinnati Gas & Elec. Co., 4¾%	13,900	855
Cincinnati Gas & Elec. Co., 7.44%	18,500	1,748
Cleveland Elec. Illum. Co., $7.40 A	20,000	1,885
Cleveland Elec. Illum. Co., $7.56 B	8,000	752
Columbus & Southern Ohio Elec. Co., 4.65%	3,600	207
Commonwealth Edison Co., $1.425	51,400	1,054
Commonwealth Edison Co., $7.24	21,900	1,966
Connecticut Lt. & Pwr. Co., $2.20	4,200	117
Consumers' Gas Co., 5½% B	1,650	116
Consumers Pwr. Co., $4.52	1,200	74
Consumers Pwr. Co., $7.45	30,000	2,765
Consumers Pwr. Co., $7.72	20,000	1,880
Dallas Pwr. & Lt. Co., $4.24	4,500	243
Dallas Pwr. & Lt. Co., $4.80	3,000	182
Dallas Pwr. & Lt. Co., $6.84	10,500	903
Dallas Pwr. & Lt. Co., $7.20	15,000	1,358
Dayton Pwr. & Lt. Co., 7.70% E	15,000	1,410
Delmarva Pwr. & Lt. Co., 4.20%	2,300	119
Delmarva Pwr. & Lt. Co., 5%	6,100	369
Detroit Edison Co., 5½%	2,500	183
Detroit Edison Co., 7.36%	10,000	880
Duke Pwr. Co., 5.72% D	9,200	609
Duke Pwr. Co., 7.80% H	7,000	642
Duquesne Lt. Co., 4.20%	2,800	70
El Paso Elec. Co., $4.12	1,000	52
El Paso Elec. Co., $4.72	1,500	89
Florida Pwr. Corp., 4.40%	1,000	56
Florida Pwr. Corp., 4.58%	1,750	102
Florida Pwr. Corp., 4.60%	500	29

PREFERRED STOCKS (Continued)

	No. of Shares	Market Value Dec. 31, 1973 (000 omitted)
PUBLIC UTILITY *(Continued)*		
Florida Pwr. Corp., 7.40%	14,000	$ 1,313
Florida Pwr. & Lt. Co., 4½% C	8,200	456
Florida Pwr. & Lt. Co., 7.28% F	25,000	2,234
Florida Pwr. & Lt. Co., 7.40% G	9,000	828
General Tel. Co. of Calif., 7.48%	15,000	1,373
General Tel. Co. of Florida, 8.16%	6,000	600
Georgia Pwr. Co., $7.80	15,000	1,440
Gulf Pwr. Co., 4.64%	2,000	115
Gulf States Util. Co., $4.20	5,300	280
Gulf States Util. Co., $4.50	3,000	170
Gulf States Util. Co., $4.52	14,900	834
Gulf States Util. Co., $5.00	6,500	413
Gulf States Util. Co., $6.08	10,100	783
Gulf States Util. Co., $7.56	15,000	1,436
Hartford Elec. Lt. Co., 3.90%	4,400	109
Hartford Elec. Lt. Co., 4.96%	1,600	50
Hartford Elec. Lt. Co., 5.28%	6,000	200
Houston Ltg. & Pwr. Co., $6.72	8,200	735
Houston Ltg. & Pwr. Co., $7.52	15,000	1,504
Idaho Pwr. Co., 7.68% 1st	15,000	1,410
Illinois Pwr. Co., 4.08%	4,200	107
Illinois Pwr. Co., 4.20%	7,000	189
Illinois Pwr. Co., 4.26%	200	5
Illinois Pwr. Co., 4.42%	16,000	448
Illinois Pwr. Co., 8.24%	30,000	1,515
Indianapolis Pwr. & Lt. Co., 6%	8,900	681
Indianapolis Pwr. & Lt. Co., 6¼%	1,000	83
International Tel. & Tel. Corp., $4.50 I	2,700	143
Iowa-Illinois Gas & Elec. Co., $4.22	2,000	104
Iowa Pwr. & Lt. Co., 4.35%	2,000	101
Kansas City Pwr. & Lt. Co., 4.50%	7,500	439
Kansas City Pwr. & Lt. Co., 7.72%	10,000	973
Louisiana Pwr. & Lt. Co., 4.44%	6,600	363
Louisiana Pwr. & Lt. Co., 5.16%	1,200	76
Louisiana Pwr. & Lt. Co., 5.40%	2,500	164
Louisiana Pwr. & Lt. Co., 7.84%	10,000	956
Louisville Gas & Elec. Co., 7.45%	40,000	980
Massachusetts Elec. Co., 7.84%	12,000	1,154
Metropolitan Edison Co., 4.45%	4,000	207
Monongahela Pwr. Co., 4.80% B	1,000	58
Narragansett Elec. Co., 4.64%	6,000	172
New York State Elec. & Gas Corp., 4½% 1949	1,000	57
Northern & Central Gas Corp. Ltd., $1.50 1st Jr.	15,000	307
Northern Illinois Gas Co., $1.90	9,610	221
Northern Illinois Gas Co., 5%	900	60
Northern Indiana Pub. Serv. Co., 4½%	4,000	239
Northern Indiana Pub. Serv. Co., 7.44%	23,500	2,209
Northern Indiana Pub. Serv. Co., 7.50%	10,000	950
Northern Natural Gas Co., 5½%	1,000	85
Northern States Pwr. Co. (Minn.) $4.10	11,500	575
Northern States Pwr. Co. (Minn.) $4.11	7,600	388
Northern States Pwr. Co. (Minn.) $4.56	7,500	448
Northern States Pwr. Co. (Minn.) $6.80	7,500	623
Northern States Pwr. Co. (Minn.) $7.84	30,000	2,940

	No. of Shares	Market Value Dec. 31, 1973 (000 omitted)
Ohio Edison Co., 7.24%	24,000	$ 2,280
Ohio Edison Co., 7.36%	18,000	1,674
Ohio Pwr. Co., 4.08%	6,700	318
Ohio Pwr. Co., 4.40%	7,600	389
Ohio Pwr. Co., 7.60%	7,000	658
Ohio Pwr. Co., 7 6/10%	8,000	696
Ohio Pwr. Co., 7.72%	5,000	446
Oklahoma Gas & Elec. Co., 5.34%	14,100	948
Orange & Rockland Util., Inc., $1.52 A	10,000	170
Pacific Gas & Elec. Co., 4.80% Red. 1st	1,900	29
Pacific Gas & Elec. Co., 5% Red. 1st A	150,000	2,363
Pacific Gas & Elec. Co., 8.16% Red. 1st	100,000	2,575
Pacific Gas & Elec. Co., 8.20% Red. 1st	50,000	1,300
Pacific Ltg. Corp., $4.36	800	42
Pacific Ltg. Corp., $4.40	2,000	105
Pacific Ltg. Corp., $4.50	3,500	191
Panhandle East. Pipe Line Co., 4.64%	2,300	152
Pennsylvania Elec. Co., 4.50% F	3,000	157
Pennsylvania Elec. Co., 4.60% G	8,400	449
Philadelphia Elec. Co., 3.8%	4,000	186
Philadelphia Elec. Co., 4.68%	16,000	880
Philadelphia Elec. Co., 7.85%	5,000	465
Portland General Elec. Co., 7.88%	5,000	455
Potomac Elec. Pwr. Co., $2.44 1957	2,000	57
Pub. Serv. Co. of Colorado, 4.20%	1,000	54
Pub. Serv. Co. of Colorado, 4.64%	2,700	160
Pub. Serv. Co. of Colorado, 4.90%	6,400	402
Pub. Serv. Co. of Colorado, 4.90% 2nd	1,250	78
Pub. Serv. Co. of Colorado, 7.15%	13,000	1,222
Pub. Serv. Co. of Indiana, Inc., 4.16%	10,000	132
Pub. Serv. Co. of Indiana, Inc., 7.15%	19,000	1,748
Pub. Serv. Co. of New Hampshire, 4.50%	3,000	157
Pub. Serv. Co. of Oklahoma, $4.24	4,300	232
Pub. Serv. Elec. & Gas Co., 4.08%	2,450	124
Pub. Serv. Elec. & Gas Co., 4.18%	1,500	75
Pub. Serv. Elec. & Gas Co., 5.05%	10,900	665
Pub. Serv. Elec. & Gas Co., 5.28%	4,500	283
Pub. Serv. Elec. & Gas Co., 7.40%	25,000	2,125
Pub. Serv. Elec. & Gas Co., 7.52%	12,000	1,044
Pub. Serv. Elec. & Gas Co., 7.70%	5,000	460
Pub. Serv. Elec. & Gas Co., 7.80%	7,500	638
Rochester Gas & Elec. Corp., 4.10% H	2,600	130
Rochester Gas & Elec. Corp., 4¾% I	100	6
Southern California Edison Co., 5.20%	87,300	1,299
Southern California Edison Co., 5.80%	112,000	2,100
Southern California Edison Co., 7.58%	5,000	480
Southern New England Tel. Co., $3.82 A	30,000	1,470
Southwestern Elec. Pwr. Co., 4.28%	2,300	122
Southwestern Pub. Serv. Co., 3.90%	900	43
Tampa Elec. Co., 4.32% A	2,000	110
Tampa Elec. Co., 4.58% D	5,000	291
Texas Elec. Serv. Co., $4.00	10,900	556

PREFERRED STOCKS (Continued)

	No. of Shares	Market Value Dec. 31, 1973 (000 omitted)
PUBLIC UTILITY *(Continued)*		
Texas Elec. Serv. Co., $4.64	5,400	$ 320
Texas Elec. Serv. Co., $5.08	15,400	999
Texas Elec. Serv. Co., $7.44	15,000	1,414
Texas Pwr. & Lt. Co., $4.00	2,000	102
Texas Pwr. & Lt. Co., $4.76	2,400	145
Texas Pwr. & Lt. Co., $4.84	3,500	216
Texas Pwr. & Lt. Co., $7.24	15,000	1,374
Texas Pwr. & Lt. Co., $7.80	13,400	1,327
Toledo Edison Co., 4.25%	1,400	74
TransCanada PipeLines Ltd., $2.65 A 2nd	1,500	60
TransCanada PipeLines Ltd., $2.75 A	549	31
Union Elec. Co., $4.00	1,000	46
Union Gas Ltd., 5½% A	2,500	95
Virginia Elec. & Pwr. Co., $4.04	2,000	98
Virginia Elec. & Pwr. Co., $7.45	15,000	1,380
Virginia Elec. & Pwr. Co., $7.72	10,000	940
Virginia Elec. & Pwr. Co., $8.84	15,000	1,594
Washington Gas Lt. Co., $4.36	13,150	710
Washington Gas Lt. Co., $5.00	3,000	175
Wisconsin Elec. Pwr. Co., 7.75%	10,000	950
Wisconsin Elec. Pwr. Co., 8.90%	10,000	1,065
Total Public Utility		$ 149,042
INDUSTRIAL AND MISCELLANEOUS		
Allied Stores Corp., 4%	1,100	$ 67
Aluminum Co. of America, 3.75%	25,750	1,275
Amerada Hess Corp., $3.50	227,479	19,904
American Metal Climax, Inc., $5.25 A	1,040	129
Armco Steel Corp., $2.10	67,400	1,912
Black, Sivalls & Bryson, Inc., 7.50%	45	4
Canadian General Elec. Co. Ltd., $1.25	4,000	104
Canadian Pacific Invest. Ltd., 4¾% A	7,500	248
Canadian Tire Corp. Ltd. A	5,000	241
Celanese, Ltd., $1.00	500	6
Champion International Corp., $1.20	40,000	705
Champion International Corp., $5.50	250	17
Crown Zellerbach Corp., $4.20	2,800	179
Dominion-Scottish Investments Ltd., 5%	2,000	58
du Pont (E.I.) de Nemours & Co., $3.50	3,400	176
du Pont (E.I.) de Nemours & Co., $4.50	2,400	154
General American Invs. Co., Inc., $4.50	1,500	111
General Motors Corp., $3.75	1,400	72
Grant (W.T.) Co., 3¾%	1,700	78
Home Oil Co. Ltd. A	789	39
Intl. Paper Co., $4.00	1,300	79
Libbey-Owens-Ford Co., $4.75 A	7,500	474
Molson Industries Ltd. A	5,000	113
National Drug & Chemical Co. of Canada Ltd., $0.60	500	4
Ridge Center Hotels, Inc. B	750	75
Seco-Cemp Ltd., 7¼% A	10,000	97
Sun Oil Co., $2.25	10,000	506
UAL, Inc , $0.40 A	10,000	228

	No. of Shares	Market Value Dec. 31, 1973 (000 omitted)
INDUSTRIAL AND MISCELLANEOUS *(Continued)*		
Uniroyal, Inc., 8%	4,600	$ 398
Total Industrial and Miscellaneous		$ 27,453
Total Preferred Stocks		$ 177,103

COMMON STOCKS

	No. of Shares	Market Value Dec. 31, 1973 (000 omitted)
AUTOMOBILE AND EQUIPMENT		
Chrysler Corp.	21,715	$ 339
Ford Motor Co.	35,766	1,449
General Motors Corp.	446,494	20,803
Total Automobile and Equipment		$ 22,591
BANK		
BancOhio Corp.	21,318	$ 448
BankAmerica Corp.	124,920	5,824
Bank of Montreal	25,187	488
Bank of New York Co., Inc.	19,762	603
Bank of Nova Scotia	38,375	1,401
Bankers Trust New York Corp.	106,906	4,966
Bishop Investment Corp.	36,145	723
Canada Permanent Mtge. Corp.	1,575	29
Canadian Imperial Bank of Commerce	55,000	1,540
Chase Manhattan Corp.	300,930	17,015
Chemical New York Corp.	103,050	4,277
Citizens & Southern Corp.	5,856	148
Citizens & Southern Natl. Bank, Ga.	280,136	5,463
Continental Illinois Corp.	139,067	7,214
Crown Trust Co.	7,500	187
Fidelity Union Bancorporation	134,506	4,506
First Banc Group of Ohio, Inc.	42,935	1,352
First Bankshares Corp. of S.C.	2,812	89
First Bank System, Inc.	20,600	1,190
First Chicago Corp.	183,894	12,941
First Hawaiian Bank	62,000	1,410
First Internatl. Bancshares, Inc.	39,280	2,268
First Jersey Natl. Corp.	95,303	1,668
First Natl. Bank of Glens Falls	4,950	411
First Natl. Boston Corp.	54,000	2,207
First Natl. City Corp.	1,661,812	76,034
First Natl. Holding Corp., Atlanta	16,744	410
First Natl. State Bancorporation	130,994	3,177
Glens Falls Natl. Bank & Trust Co.	7,400	392
Hawaii Bancorporation, Inc.	79,984	1,070
Huron & Erie Mtge. Corp.	11,250	357
Manufacturers Hanover Corp.	862,406	31,523
Mellon National Corp.	3,442	151
Midlantic Banks, Inc	105,708	2,960
Morgan (J.P.) & Co., Inc.	416,408	28,731
National City Corp.	34,540	872
National Detroit Corp.	12,500	480
NCNB Corp.	8,000	316
Pan American Bancshares, Inc.	20,000	245
Pittsburgh Natl. Corp.	10,000	324
Royal Bank of Canada	60,000	2,197
Seattle-First Natl. Bank	36,953	2,273

COMMON STOCKS (Continued)

	No. of Shares	Market Value Dec. 31, 1973
		(000 omitted)
BANK *(Continued)*		
Security Pacific Corp.	159,151	$ 3,541
South Carolina Natl. Corp.	7,920	226
Southeast Banking Corp.	83,802	2,556
Toronto-Dominion Bank	74,250	2,766
Trust Co. of Georgia	8,000	328
United States Bancorp	20,000	475
United States Trust Co. of N.Y.	30,000	1,155
United Virginia Bankshares, Inc.	10,000	266
Valley Natl. Bank of Arizona	78,799	1,615
Wachovia Corp.	28,500	898
Wells Fargo & Co.	26,566	604
Western Bancorporation	48,250	1,224
Total Bank		$ 245,534
BUILDING		
Armstrong Cork Co.	116,600	$ 2,803
Johns-Manville Corp.	130,000	2,145
NL Industries, Inc.	71,900	800
Sherwin-Williams Co.	61,000	2,028
United States Gypsum Co.	160,000	2,780
Total Building		$ 10,556
CHEMICAL AND DRUG		
American Cyanamid Co.	50,000	$ 969
American Home Products Corp.	270,000	10,941
American Hospital Supply Corp.	66,600	2,606
Bard (C.R.), Inc.	3,000	63
Bristol-Myers Co.	10,000	462
Carter-Wallace, Inc.	50,000	388
Chesebrough-Pond's, Inc.	50,000	3,322
Dow Chemical Co.	243,894	14,080
du Pont (E.I.) de Nemours & Co.	105,600	16,962
Du Pont of Canada Ltd.	3,000	78
Freeport Minerals Co.	90,000	2,284
Hercules, Inc.	216,000	7,520
Johnson & Johnson	141,000	15,967
Lilly (Eli) & Co.	14,000	1,120
Lubrizol Corp.	38,000	1,415
Merck & Co., Inc.	295,800	23,902
Monsanto Co.	82,693	4,507
Pfizer, Inc.	110,000	4,730
Sterling Drug, Inc.	151,250	4,305
Union Carbide Canada Ltd.	5,000	82
Union Carbide Corp.	324,000	11,056
Upjohn Co.	20,000	1,435
Warner-Lambert Co.	18,000	673
Total Chemical and Drug		$ 128,867
COMMUNICATIONS		
American Tel. & Tel. Co.	878,110	$ 44,015
Bell Tel. Co. of Canada	5,000	201
British Columbia Tel. Co.	4,000	192
Communications Satellite Corp.	8,000	308
General Tel. & Electronics Corp.	48,846	1,221
International Tel. & Tel. Corp.	30,780	812

	No. of Shares	Market Value Dec. 31, 1973
		(000 omitted)
COMMUNICATIONS *(Continued)*		
Microsystems Intl. Ltd.	1,700	$ 10
Pacific Tel. & Tel. Co.	40,000	615
Total Communications		$ 47,374
ELECTRICAL EQUIPMENT		
General Electric Co.	301,200	$ 18,976
Westinghouse Elec. Corp.	149,100	4,238
Whirlpool Corp.	17,500	564
Total Electrical Equipment		$ 23,778
ELECTRONICS		
Hewlett-Packard Co.	31,000	$ 2,507
Honeywell, Inc.	40,000	2,805
Perkin-Elmer Corp.	36,000	1,193
Texas Instruments, Inc.	68,148	7,317
Total Electronics		$ 13,822
FINANCE		
C.I.T. Financial Corp.	110,000	$ 4,441
IAC Ltd.	8,000	142
Total Finance		$ 4,583
FOOD		
Alexander & Baldwin, Inc.	112,500	$ 1,294
Amfac, Inc.	178,500	2,298
Beatrice Foods Co.	23,000	566
Borden, Inc.	115,000	2,415
Brewer (C) & Co. Ltd.	2,377	23
Castle & Cooke, Inc.	27,285	460
Coca-Cola Co.	37,380	4,916
CPC International, Inc.	125,000	3,359
General Foods Corp.	49,800	1,183
Kraftco Corp.	46,000	1,748
PepsiCo, Inc.	18,000	1,375
Total Food		$ 19,637
GLASS		
Corning Glass Works	195,250	$ 15,185
Libbey-Owens-Ford Co.	10,000	248
Owens-Corning Fiberglas Corp.	90,000	4,005
Owens-Illinois, Inc.	155,000	4,967
PPG Industries, Inc.	103,866	2,389
Total Glass		$ 26,794
MACHINERY		
Babcock & Wilcox Co.	267,500	$ 10,031
Black & Decker Mfg. Co.	185,920	18,760
Caterpillar Tractor Co.	417,600	28,069
Deere & Co.	18,000	1,001
Ingersoll-Rand Co.	133,500	13,116
International Harvester Co.	141,659	3,648
Total Machinery		$ 74,625

COMMON STOCKS (Continued)

	No. of Shares	Market Value Dec. 31, 1973 (000 omitted)
NON-FERROUS METAL		
Alcan Aluminium Ltd.	209,800	$ 8,366
Aluminum Co. of America	78,000	5,674
American Metal Climax, Inc.	37,500	1,922
American Smelting & Refining Co.	221,330	5,506
Cominco Ltd.	5,500	190
Falconbridge Nickel Mines Ltd.	500	31
International Nickel Co. of Canada Ltd.	231,000	8,143
Kennecott Copper Corp.	67,200	2,974
McIntyre Porcupine Mines Ltd.	22,800	1,231
Mesabi Trust	50,000	481
Newmont Mining Corp.	613,500	19,616
Noranda Mines Ltd. A	108,600	5,444
Phelps Dodge Corp.	210,134	9,876
Rio Algom Mines Ltd.	6,000	205
St. Joe Minerals Corp.	321,000	11,516
Total Non-Ferrous Metal		$ 81,175
OFFICE EQUIPMENT		
Burroughs Corp.	800	$ 167
Digital Equipment Corp.	19,800	2,017
International Business Machines Corp.	633,802	156,548
Moore Corp. Ltd.	12,000	631
Xerox Corp.	150,100	18,629
Total Office Equipment		$ 177,992
OIL		
Atlantic Richfield Co.	10,000	$ 1,087
Canadian Industrial Gas & Oil Ltd.	6,000	54
Cities Service Co.	96,855	5,872
Continental Oil Co.	140,000	7,648
Exxon Corp.	530,091	49,880
Gulf Oil Canada Ltd.	5,000	159
Gulf Oil Corp.	904,234	21,396
Hudson's Bay Oil & Gas Co. Ltd.	7,600	327
Husky Oil Ltd.	7,500	165
Imperial Oil Ltd.	160,200	6,449
Interprovincial Pipe Line Co.	10,000	205
Louisiana Land & Exploration Co.	56,000	2,870
Mobil Oil Corp.	10,000	630
Shell Canada Ltd. A	190,704	3,457
Shell Oil Co.	213,120	14,254
Siebens Oil & Gas Ltd.	5,250	85
Standard Oil of Calif.	700,354	24,512
Standard Oil Co. (Indiana)	103,000	10,686
Texaco Canada Ltd.	5,000	216
Texaco, Inc.	1,135,518	33,397
Total Oil		$ 183,349
PAPER		
Champion International Corp.	111,800	$ 1,831
Crown Zellerbach Corp.	47,950	1,750
Diamond International Corp.	24,000	675
Georgia-Pacific Corp.	76,262	2,927
Great Northern Nekoosa Corp.	45,000	1,946

	No. of Shares	Market Value Dec. 31, 1973 (000 omitted)
PAPER *(Continued)*		
International Paper Co.	168,813	$ 8,778
Kimberly-Clark Corp.	74,200	2,393
Louisiana-Pacific Corp.	20,570	869
Scott Paper Co.	87,817	1,252
Union Camp Corp.	185,000	10,961
Weyerhaeuser Co.	222,000	8,686
Total Paper		$ 42,068
PHOTOGRAPHY AND OPTICAL		
Eastman Kodak Co.	629,624	$ 73,243
Total Photography and Optical		$ 73,243
PUBLIC UTILITY		
Alberta Gas Trunk Line Co. Ltd. A	28,000	$ 294
Allegheny Pwr. System, Inc.	91,720	1,834
American Elec. Pwr. Co., Inc.	275,805	6,895
American Natural Gas Co.	32,143	1,109
Arizona Public Service Co.	15,000	272
Baltimore Gas & Elec. Co.	222,898	5,015
Boston Edison Co.	1,429	37
Brooklyn Union Gas Co.	75,000	1,388
Calgary Pwr. Ltd.	7,500	178
Canadian Utilities Ltd.	20,000	185
Carolina Pwr. & Lt. Co.	25,210	533
Central Illinois Lt. Co.	130,660	2,483
Central Illinois Pub. Serv. Co.	41,300	594
Central & South West Corp.	210,056	3,518
Cincinnati Gas & Elec. Co.	205,408	4,570
Cleveland Elec. Illuminating Co.	166,732	5,231
Columbus & Southern Ohio Elec. Co.	12,000	289
Commonwealth Edison Co.	208,792	6,081
Consolidated Natural Gas Co.	167,916	4,072
Consumers' Gas Co.	10,000	156
Consumers Pwr. Co.	144,712	3,292
Dayton Pwr. & Lt. Co.	173,000	3,287
Detroit Edison Co.	200,400	3,282
Equitable Gas Co.	20,000	555
Florida Pwr. Corp.	30,372	835
Florida Pwr. & Lt. Co.	58,500	1,441
Gulf States Util. Co.	160,000	2,300
Hawaiian Elec. Co., Inc.	17,100	368
Houston Ltg. & Pwr. Co.	85,000	2,439
Idaho Pwr. Co.	182,300	5,152
Illinois Pwr. Co.	154,500	3,863
Iowa-Illinois Gas & Elec. Co.	10,000	165
Iowa Pwr. & Lt. Co.	78,750	1,723
Kansas City Pwr. & Lt. Co.	102,278	2,531
Kansas Gas & Elec. Co.	15,000	266
Louisville Gas & Elec. Co.	124,300	2,952
Middle South Util., Inc.	99,400	1,783
Montana Pwr. Co.	70,000	2,284
New York State Elec. & Gas Corp.	149,560	3,889
Northeast Util. (Mass.)	75,000	853
Northern & Central Gas Corp. Ltd.	3,200	35
Northern Illinois Gas Co.	32,300	703

COMMON STOCKS (Continued)

	No. of Shares	Market Value Dec. 31, 1973 (000 omitted)
PUBLIC UTILITY *(Continued)*		
Northern Natural Gas Co.	84,635	$ 4,105
Northern States Pwr. Co. (Minn.)	120,324	3,038
Ohio Edison Co.	284,000	5,751
Oklahoma Gas & Elec. Co.	112,701	2,586
Pacific Gas & Elec. Co.	143,949	3,364
Philadelphia Elec. Co.	131,308	2,364
Pub. Serv. Co. of Indiana, Inc.	114,700	4,144
Pub. Serv. Elec. & Gas Co.	357,774	6,574
San Diego Gas & Elec. Co.	2,000	29
Southern California Edison Co.	46,560	861
Southern Co.	118,400	1,894
Tampa Elec. Co.	14,000	299
Texas Util. Co.	64,000	1,555
TransCanada PipeLines Ltd.	11,000	337
Union Elec. Co.	33,775	473
Utah Pwr. & Lt. Co.	76,060	2,662
Virginia Elec. & Pwr. Co.	261,099	3,786
Wisconsin Elec. Pwr. Co.	248,764	6,157
Wisconsin Pub. Serv. Corp.	81,000	1,276
Total Public Utility		$ 139,987
RAILROAD		
Canadian Pacific Ltd.	10,000	$ 163
Pitts., Ft. Wayne & Chic. Ry. Co., 7%	28	2
Seaboard Coast Line Industries, Inc.	21,000	669
Southern Railway Co.	31,000	1,486
Union Pacific Corp.	16,000	1,478
Total Railroad		$ 3,798
RETAIL AND APPAREL		
Associated Dry Goods Corp.	72,000	$ 1,899
Dominion Stores Ltd.	10,000	125
Federated Department Stores, Inc.	123,000	3,761
Grant (W.T.) Co.	180,000	1,958
Howard Johnson Co.	96,000	1,116
Jonathan Logan, Inc.	27,000	419
Marshall Field & Co.	70,000	1,225
Penney (J.C.) Co., Inc.	222,000	16,035
Sears, Roebuck & Co.	29,000	2,556
Simpsons Ltd.	12,000	100
Total Retail and Apparel		$ 29,194
STEEL		
Algoma Steel Corp. Ltd.	4,000	$ 81
Armco Steel Corp.	25,000	534
Dominion Foundries & Steel Ltd.	8,000	235
Hanna Mining Co.	99,326	5,132
Inland Steel Co.	207,500	5,966
National Steel Corp.	290,000	8,773
Republic Steel Corp.	20,100	482
Steel Co. of Canada Ltd.	12,000	351
United States Steel Corp.	276	10
Total Steel		$ 21,564

	No. of Shares	Market Value Dec. 31, 1973 (000 omitted)
MISCELLANEOUS		
ACF Industries, Inc.	2,500	$ 145
Anheuser-Busch, Inc.	45,200	1,486
Avon Products, Inc.	75,000	5,325
Charleston Industrial Association	50	5
Chubb Corp.	364	18
Collins & Aikman Corp.	105,000	787
Dillingham Corp.	135,000	692
Disney (Walt) Productions	7,000	554
Distillers Corp.-Seagrams Ltd.	10,000	424
Dow Jones & Co., Inc.	21,650	428
Dun & Bradstreet Cos., Inc.	84,000	2,709
Franklin Life Insurance Co.*	5,711,624	164,249
General American Trans. Corp.	135,000	8,100
General Signal Corp.	70,000	3,465
Goodyear Tire & Rubber Co.	40,550	618
Harris-Intertype Corp.	45,000	1,238
Hawaii Corp.	53,729	242
INA Corp.	1,800	63
International Flavors & Fragrances, Inc.	34,847	2,783
La Préservatrice, A.I.R.D.	47,500	4,523
L'Union Nationale, Beirut	1,200	197
Minnesota Mining & Mfg. Co.	95,200	7,587
New Jersey Realty Co.	750	5
Philip Morris, Inc.	22,000	2,524
Phoenix Assurance Co. Ltd.*	10,230,000	47,871
Phoenix Continental, S.A.	58,500	1,329
Phoenix of Jamaica Assurance Co. Ltd.	60,000	113
Pittston Co.	147,288	3,572
Procter & Gamble Co.	87,600	8,164
Revlon, Inc.	21,000	1,234
Reynolds (R.J.) Industries, Inc.	47,500	1,936
Societe C.I.S.E.A.	30	3
Textron, Inc.	7,920	154
TRW, Inc.	25,000	713
Tokio Marine & Fire Ins. Co. Ltd. ADRs	2,500	196
Velcro Industries Ltd.	3,500	17
Walker (Hiram)-Gooderham & Worts Ltd.	7,500	399
Total Miscellaneous		$ 273,868
SERVICE ORGANIZATIONS		
Underwriters Adjustment Bureau Ltd.	400	$ 40
Underwriters Salvage Co. of Chicago	184	18
Underwriters Salvage Co. of New York	230	35
United States Salvage Association, Inc.	498	165
Total Service Organizations		$ 258
Total Common Stocks		$ 1,644,657
Bonds & Stocks		$ 2,664,900
Bonds & Stocks-Other Subsidiaries		$ 79,350
Total Bonds and Stocks		$ 2,744,250

*Equity Value (See Notes to Financial Statements)

THE CONTINENTAL CORPORATION

and affiliated companies

AFCO Credit Corporation and subsidiaries
American Title Insurance Company and subsidiaries
Appleton & Cox, Inc.
*Associated Aviation Underwriters
Boston Old Colony Insurance Company
The Buckeye Union Insurance Company
CAFO Limited (CANADA)
Capital Financial Services, Inc. and subsidiaries
Commercial Insurance Company of Newark, N.J.
The Continental Insurance Company
The Diners' Club, Inc. and subsidiaries
The Dominion Insurance Corporation (CANADA)
Equitable Fire Insurance Company
*El Fénix Latino, S.A. (SPAIN)
The Fidelity and Casualty Company of New York
Firemen's Insurance Company of Newark, New Jersey
*Franklin Life Insurance Company and subsidiaries
The Glens Falls Insurance Company
Global Marine Services, Ltd. (CANADA)
Hull and Cargo SURVEYORS, Inc.
The INSCO Systems Corporation
*Internationale Reassurantie Maatschappij N.V. (THE NETHERLANDS)
Kansas City Fire and Marine Insurance Company
The London Security Reinsurance Company, Ltd. (ENGLAND)
Marine Office-Appleton & Cox Corporation and subsidiaries
National-Ben Franklin Insurance Company of Illinois
National-Ben Franklin Life Insurance Corporation
**The National Life Assurance Company of Canada
The National Reinsurance Corporation
Niagara Fire Insurance Company
Pacific Insurance Company
*Panama Insurance Company, Inc. (PANAMA)
*Pan-Malayan Insurance Corporation (PHILIPPINES)
*Phoenix Assurance Company, Ltd. and subsidiaries (ENGLAND)
*Phoenix Continental, S.A. (BELGIUM)
*Phoenix of Jamaica Assurance Company, Ltd. (JAMAICA)
Preferred Risk Insurance Company (PUERTO RICO)
*La Préservatrice, A.I.R.D. (FRANCE)
Puerto Rican-American Insurance Company (PUERTO RICO)
Quality Adjustment Service, Inc.
Royal General Insurance Company of Canada
Seaboard Fire & Marine Insurance Company
The Security Reinsurance Corporation, Ltd. (BERMUDA)
*Seguros Universales, S.A. (GUATEMALA)
*Sud Atlántica, Compañia de Seguros, S.A. (ARGENTINA)
Underwriters Adjusting Company
*L'Union Nationale Compagnie D'Assurances de Beyrouth (LEBANON)
United States P&I Agency, Inc.
*La Venezolana de Seguros C.A. (VENEZUELA)
*Verzekering Maatschappij Minerva N.V. (THE NETHERLANDS)

*Less than 50% owned by the Corporation
**Also admitted in the United States

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THE CONTINENTAL CORPORATION

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